FINANCIAL TIMES

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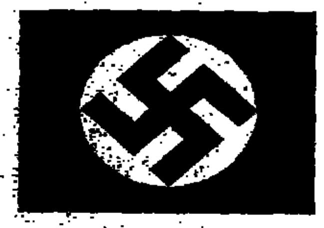

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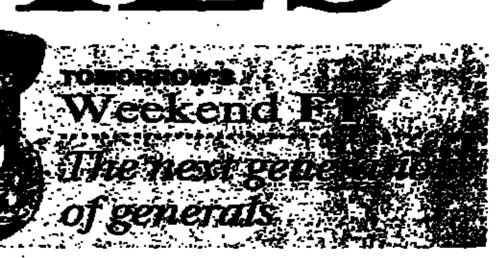


World Business Newspaper http://www.FT.com FRIDAY SEPTEMBER 13 1996

Gillette acquires Duracell in $7bn all-stock deal

Razor company Gillette is carving a slice of the consumer batteries market with the $7bn takeover of Duracell International. The all-stock deal follows a fall in Duracell's stock in recent months. Kohlberg Kravis & Roberts owns about 34 per cent of Duracell shares, which jumped $9¾ to $58¾ on news of the deal. **Page 15; Lex, Page 14; Wall Street, Page 34**

US wage squeeze 'will go on': Most US workers will continue to experience falling real wages for the next 15 years as wage inequality grows, a report from the US government's Competitiveness Policy Council predicts. **Page 6**

Diesel engines merger: The engine building operations of Finland's Metra and Fincantieri Cantieri Navali Italiana, the state-owned Italian shipyard, are merging to form the world's biggest maker of high-power diesel engines for shipbuilding and electricity. **Page 15**

Backing for Time Warner deal: Time Warner won the Federal Trade Commission's initial approval for its $7.5bn acquisition of rival media group Turner Broadcasting. **Page 17**

French hopes for Poland: French president Jacques Chirac voiced hopes that Poland will join the European Union by 2000. He also supported Poland's desire for swift entry to the Nato defence alliance. **Page 3**

Banque Nationale de Paris improved first-half net profits by nearly 80 per cent to FFr1.7bn ($330m), thanks to higher revenues and lower provisions. **Page 15**

Irish president jeered: A group of Protestant loyalists jeered Irish president Mary Robinson as she visited a women's centre on a one-day visit to Northern Ireland. The province has been tense since the IRA ended a 17-month ceasefire in February.

China tightens controls: Dozens of web sites for Chinese Internet users have been closed as Beijing tries to curb views unsympathetic to the Communist party. **Page 5**

Hurricane kills 22: Hurricane Hortense headed north-west through the Atlantic, leaving at least 22 people dead and extensive damage in the Dominican Republic and Puerto Rico. The storm, with 115mph winds, is expected to miss the east coast of the US.

Bumper harvest: Britain's cereals harvest is set to be the biggest for many years, but a wheat surplus in the UK and Europe is likely to put pressure on prices. **Page 9; Commodities, Page 24**

Car sales surge: West European new car sales surged by 15.2 per cent in July year on year, and by 5.2 per cent in August, with total west European registrations up 6.2 per cent in the first eight months. **Page 2**

Oasis pulls out: British rock band Oasis cut short its US tour amid reports that the group is splitting up. After a row with his brother Liam, songwriter and lead guitarist Noel Gallagher flew home.

Machines to take over: Intelligent machines will have almost total control of people's lives by early in the next century, international scientists heard at a gathering in Britain. "The danger is that once we have machines that can reason without emotion, they can outstrip us," Prof Roland Burns told them. **Page 14**

Taiwan fishermen burn Japanese flag

Taiwanese fishermen burned Japanese flags and hurled rotten fish at Japan's Taipei visa office in protest at Tokyo's expulsion of Taiwan fishing boats from disputed island islands in the East China Sea. In Beijing, a group of Hong Kong legislators presented a petition urging China to guard the islands, which are claimed by China, Japan and Taiwan.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5784.14	(+29.22)
NASDAQ Composite	1163.06	(+8.11)
Europe and Far East		
CAC40	2065.37	(+27.31)
DAX	2570.32	(+3.52)
FT-SE 100	3932.6	(+27.0)
Nikkei	20,443.93	(-127.11)

■ US LUNCHTIME RATES

Federal Funds	5⅛%
3-mth Trees Bills: Yld	5.276%
Long Bond	95⅞
Yield	7.061%

■ OTHER RATES

UK: 3-mo interbank	5¾%	(same)
UK: 10 yr Gilt	97⅞	(97⅞)
France: 10 yr OAT	106.61	(106.46)
Germany: 10 yr Bund	99.72	(99.56)
Japan: 10 yr JGB	100.5343	(100.642)

■ NORTH SEA OIL (Argus)

Brent Dated	$23.31½	(23.26)

■ GOLD

New York: Comex		
(Dec)	$385.3	(386.6)
London:		
close	$382.05	(383.65)

■ DOLLAR

New York: lunchtime		
£	1.5545	
DM	1.5132	
FFr	5.16285	
SFr	1.2375	
Y	110.285	
London:		
£	1.5553	(1.5547)
DM	1.5122	(1.5098)
FFr	5.1595	(5.153)
SFr	1.2380	(1.2335)
Y	108.98	(110.25)
Tokyo close:	Y 110.035	

■ STERLING

DM	2.3515	(2.3473)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh16	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr280	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y600	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)		Turkey	L120,000
Germany	DM4.00	Lebanon	U.3800		Es265	UAE	Dh13.00

European Union planning sanctions to enforce budgetary discipline

Deal close on Emu stability

By Lionel Barber and Quentin Peel in Brussels

The European Union is heading for agreement this month on a plan to enforce sanctions against countries running excessive deficits after joining the European single currency.

Finance ministers and central bankers are also "very close" to agreement on a remodelled exchange rate mechanism to manage currency relations between countries inside and outside the Union, Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, said yesterday.

Agreement on budgetary and currency discipline is considered vital to convincing financial markets that European economic and monetary union remains on track for the planned launch on January 1 1999.

Mr de Silguy said the single currency "will happen" on schedule. He issued a strong warning to critics, including those in France, who favour a delay.

"If the 1999 timetable slips, there would be grave consequences. Countries would relax their efforts on budgetary austerity, interest rates would go up and the D-Mark would soar," he said. A delay in Emu would also complicate the EU's commitment to enlarge to central and eastern Europe.

The outline deal on a "stability pact" to enforce budgetary discipline among Emu participants appears to meet most German demands for sanctions against countries running excessive deficits.

The deal is expected to be reached among EU finance ministers and central bank governors in Dublin next Friday. It follows better-than-expected progress at a meeting of the EU's monetary committee this week in Brussels.

Under the proposed deal, countries running a deficit in excess of Maastricht's target of 3 per cent of gross domestic product would have to produce a credible plan for correcting the imbalance within nine to 12 months.

Without corrective action, fiscal delinquents would face sanctions, first in the form of an interest-bearing deposit, and later fines.

The European Commission has floated the idea of a fixed fine of 0.2 per cent of GDP for breaching the 3 per cent target, followed by 0.1 per cent increases for every further 1 per cent. The overall ceiling for fines could be 0.5 per cent, Mr de Silguy said.

Several points remain open for discussion and may still run into difficulties with Mr Theo Waigel, the tough-minded German finance minister.

Germany wants to impose penalties on a timetable shorter than nine months. But Mr de Silguy said other EU members wanted to give national parliaments more time to take measures such as cutting public spending or raising taxes. The Maastricht treaty allows the excessive deficit sanctions to be waived in "exceptional and temporary" circumstances. Germany wants a restrictive definition of this escape clause.

Membership of the remodelled ERM is voluntary, but France is still pressing hard for all EU members, notably Britain, to commit to joining. The width of the ERM's fluctuation bands for member currencies remains unsettled and may be left unstated to wrong-foot speculators.

Countries in the ERM will be required to produce written commitments to curb inflation and fiscal excess as a price of support from the future European Central Bank.

BAe bid for Bremer Vulkan radar unit blocked

By Michael Lindemann, in Bonn

Attempts to form an Anglo-German consortium to bid for STN Atlas, the German defence electronics company, collapsed yesterday after the German defence ministry indicated it wanted the company to go to a domestic buyer.

British Aerospace had been trying to form a consortium with Daimler-Benz Aerospace to buy STN for its high-technology radar, sonar and command and control systems.

STN, one of the few profitable units within the bankrupt Bremer Vulkan engineering group, last year reported net profits of DM32,5m ($21.90m) on sales of DM1.45bn.

Because STN makes fire control systems for Germany's Leopard tanks and heavyweight torpedoes, the German defence ministry has argued that the group should be sold to a consortium of German companies believed to include defence contractors like Rheinmetall, Diehl, Wegmann and the Howaldtswerke shipyard.

However, the defence ministry's intervention has caused concern among executives that the Bremer Vulkan receiver, Mr Jobst Wellensiek, may now bow to political pressure instead of getting as much money as possible for STN and fulfilling his legal duty to Bremer Vulkan's creditors.

They admit that STN is in a sensitive position because the German defence ministry is the company's main client but warned that comments by Mr Gunnar Simon, a state secretary in the defence ministry, about a "German only" solution created a potential conflict for Mr Wellensiek.

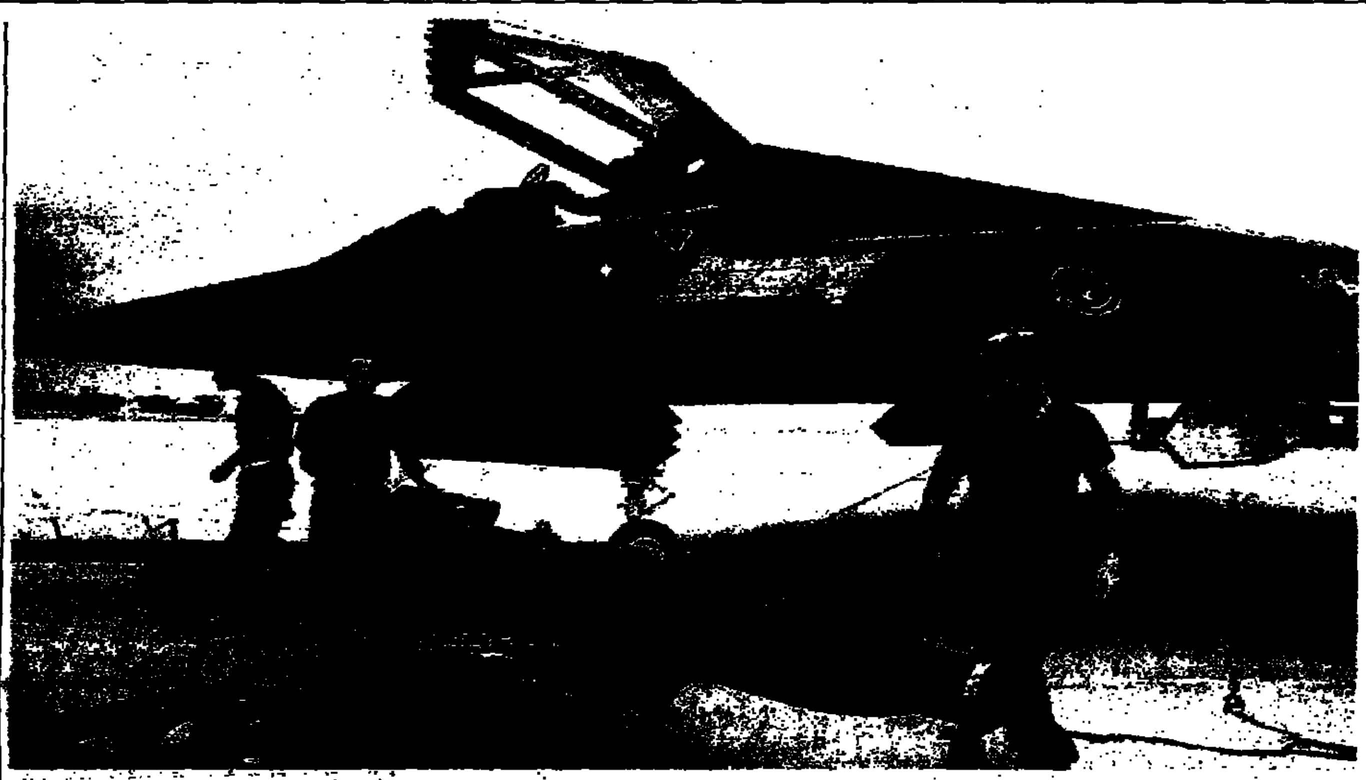
Others executives hinted that the European Commission, which is likely to have lost about DM700m through Bremer Vulkan's bankruptcy, may also prefer a wider solution which helps consolidate the European defence industry.

Up to 15 international defence contractors, including Lockheed of the US and the French group Thomson, are likely to submit non-binding bids for STN by the deadline on September 15.

BAe said it would now bid alone. Once initial bids had been reviewed there was still the possibility of creating a consortium, a BAe executive said.

Executives close to the sale said the failure to go along

Continued on Page 14
BAe profits rise, Page 24



Stealth warplanes poised for threatened strike against Iraq

Ground crew ready one of eight F-117A "stealth" fighter aircraft sent by the US to Kuwait to back up threats of further retaliation after Iraqi troops fired missiles and artillery on Wednesday at US and allied warplanes over northern and southern Iraq. A further two B-52 bombers were being moved to the area, in addition to two dispatched on Wednesday. It remained unclear yesterday when any new strike might come, and what facilities would be targeted. Report, Page 8 Picture: AP

Xerox $2.7bn deal to sell insurance holdings collapses

By John Authers in New York

Xerox, the office equipment manufacturer, received a cool reception on Wall Street yesterday after announcing that its ambitious plan to sell its remaining insurance holdings to a leveraged buy-out consortium had fallen through.

Negotiations with Kohlberg Kravis Roberts, the corporate financier that was co-ordinating the buy-out, finally broke down on Wednesday night, eight months after the two companies had announced agreement for the disposal of Talegen Holdings and The Resolution Group, which include property and casualty insurance units, for $2.7bn.

Xerox's shares fell by $2¾ to $55⅝ yesterday on the news, which was followed by downgradings from some investment analysts.

An official statement from Xerox skirted precise reasons for the deal's collapse. "Both parties worked hard and diligently to complete the transactions as originally envisioned," it said. "When it became clear that this could not be accomplished consistent with all the prevailing considerations of both parties, Xerox and Kohlberg Kravis decided it was best to terminate transactions."

It appeared yesterday that the issue of insurance reserves had been an obstacle to finalising an agreement, although Xerox denied that reserves were inadequate.

Mr Paul Allaire, Xerox's chief executive, admitted he was "disappointed" that the negotiations had not led to his aim of "a timely exit from financial services". But he was confident that the companies could eventually be disposed of, with shareholders ultimately receiving the same value that was available under the planned Kohlberg Kravis deal.

The company has already started looking for another buyer, or buyers. However, it said yesterday it planned to sell each of the five units separately and it was confident it could achieve a similar price to that which had been offered in the Kohlberg Kravis discussions.

Xerox said there would be no additional charges on its accounts relating to the sale following a $1.5bn disposal charge in its final-quarter accounts last year. This consisted of a $975m after-tax loss on the sale and an addition to Talegen's reserves of £525m. This addition had been part of the sale agreement with Kohlberg Kravis.

Standard & Poor's, the credit-rating agency, affirmed its debt ratings for the company. About $12bn of debt is outstanding, but the agency said its affirmation reflected "continued strong performance" in Xerox's document processing business. The agency assumed the company would make the disposals eventually, although this might take up to 24 months. Xerox said yesterday that it hoped to complete the sale within 12 months.

The disposals were to have signalled the end of Xerox's unsuccessful diversification into financial services, which began in the early 1980s.

KKR makes amends, Page 17

German austerity package suffers setback

By Peter Norman in Bonn

The German government's controversial austerity package was yesterday voted down by the opposition-dominated upper house as the Bundesbank warned that it would have to be passed in full for Germany to meet the Maastricht criteria for economic and monetary union next year.

Chancellor Helmut Kohl's coalition government will today seek to reinstate key measures to curb sick pay, raise the retirement age for women, relax protection for workers against dismissal in small companies and limit entitlements to healthcare, through votes in the Bundestag, the lower house.

Those measures do not require final approval by the Bundesrat, the upper house, and can be made law if the coalition can muster an absolute majority of 337 votes from the 672 Bundestag members.

However, yesterday's vote in the Bundesrat, which represents the federal states, meant the loss of some elements of the package. The government will not, for example, be able to cut sick pay for civil servants. Nor will it be able to force state pension funds to sell illiquid property assets to help limit their deficits.

As the first reading of the 1997 federal budget in the Bundestag entered its third day yesterday, coalition politicians said the government would introduce further spending cuts to offset any deficiencies in the austerity programme that arose as it passed through parliament.

Mr Wolfgang Schäuble, the leader of the Christian Democrat and Christian Social MPs in the Bundestag, said further welfare reductions were possible. Mr Theo Waigel, the finance minister, warned on Tuesday that unemployment assistance could be a target for more cuts.

Mr Günter Rexrodt, the economics minister, yesterday made clear that he wanted reduced subsidies for the coal

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EUROPEAN NEWS DIGEST

Bonn and EU resort to court

The German government and the European Commission have decided to start legal proceedings against each other in the European Court of Justice to resolve the dispute over aid granted by the state of Saxony to Volkswagen, the carmaker.

The economics ministry in Bonn said Germany would launch an appeal to reverse the Commission's decision blocking DM241m ($163m) of subsidies for two VW plants in Saxony and to establish the legality of the aid under the European Union treaty.

The Commission said it was also initiating proceedings against Bonn following Saxony's disbursement of nearly DM92m in subsidies in defiance of the ban. It said it was taking action because legally it could not file a suit against Saxony. Yesterday's moves came days after the two agreed to neutralise the disputed payment. But Bonn denied it was an escalation of the conflict, saying it had to act before a legal deadline expired on September 16. Mr Günter Rexrodt, economics minister, said he hoped for an out of court settlement. *Peter Norman, Bonn*

EU card spending may triple

Plastic card spending could triple in Europe over the next three to five years, the Visa international payments organisation predicts. Mr Hans van der Velde, president of Visa's European region, said the card market had been used to annual growth rates of 15 to 20 per cent, but this was set to accelerate.

Visa itself expects to have more than 100m cards in issue in the EU within the next six months. Annual spending on Visa cards in Europe, now $288bn, is projected to climb to $340bn in the same span. Although plastic cards account for more than a quarter of non-cash payments in the UK and around 17 per cent in France, they are still barely used in Germany and Italy. With the development of electronic chip cards, the card is expected increasingly to replace cheques and giros and also cash payments. *George Graham, Banking Correspondent*

Strike hits Air France Europe

A pilots' strike forced Air France Europe, part of the state-owned Air France group, to cancel about 40 per cent of its flights yesterday, the airline said.

Pilots stopped work after one of them was disciplined for refusing to take off on Wednesday in a protest over security. The airline said the strike began on Wednesday when four pilots' unions walked off the job without prior notice.

The airline, formerly known as Air Inter, primarily serves France but has a fledgling network of flights across Europe, which were also grounded by the strike. The airline said a state official had concluded such checks were unjustified, and the pilot had been punished after refusing to take off a total of 35 times this year. It said it was taking the pilots' unions to court for compensation as they had broken the legal requirement for five-day notice. *Reuter, Paris*

Emu 'boosts insolvencies'

Europe's efforts to achieve a common currency by 1999 are boosting corporate insolvencies as governments brake spending, Dun & Bradstreet Schimmelpfeng business information agency said yesterday.

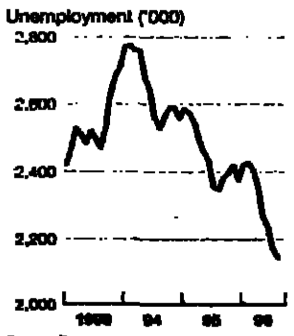
Bankruptcies in the 15 member states of the European Union should rise 5 per cent to 200,000 this year, the report said. Germany, Europe's largest economy, will be one of the hardest hit: insolvencies are expected to rise 17 per cent to 26,100 in 1996. In France bankruptcies should rise 3.8 per cent to 58,100. Britain will see about 40,900 bankruptcies, up 1 per cent. *Reuter, Frankfurt*

Italy approves phone bill

The Italian cabinet yesterday approved a bill setting out tender details for Italy's third mobile phone operating licence. It will now have to be ratified by parliament. The government wants to launch the tender this autumn, with the licence expected to be awarded by the end of 1996 or early 1997. *Reuter, Rome*

ECONOMIC WATCH

Spanish jobless down 1.2%



The number of jobless registered at Spain's employment offices fell in August by 27,006, 1.2 per cent month-on-month, to 2,143,783, a total representing 13.5 per cent of the working population, the lowest percentage of registered unemployed since 1982. The Labour ministry said that between March and August the total number of job seekers registered at the employment offices had fallen by 283,232.

The monthly figures, issued by the ministry's National Employment Institute, contrast with the quarterly survey of the working population conducted by the Economy and Finance ministry's national statistics office. At the six-month stage this year, 3.5m Spaniards, 22.2 per cent of the working age population (16 to 65 years old) were seeking a job, according to the survey, 0.5 per cent fewer than at the end of the first half in 1996. *Tom Burns, Madrid*

■ Spanish industrial output fell 5.7 per cent in June from a year earlier, compared to a 3.2 per cent fall in May, the National Statistics Institute said. It fell an average 2.7 per cent year-on-year in the six months to June. *AFX, Madrid*

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EUROPEAN CAR INDUSTRY

Incentives are a hard habit to kick

By Haig Simonian, Motor Industry Correspondent

European car sales have grown more strongly than expected this year, encouraging the continent's largest manufacturing industry and governments which see the motor sector as a bellwether of economic well-being.

However, Europe's car industry is still in the doldrums because of chronic overcapacity and rising competition from lower-cost rivals, principally Asian. Although total registrations should rise by about 4 per cent to 12.5m units this year, that is well below the record 13.53m units sold in 1991. Few forecasters expect the industry to come within sight of the peak again before the turn of the century.

The mixed demand outlook has prompted fierce lobbying by carmakers for government support to stimulate sales. In France, Spain, Denmark and Ireland, experiments have been made in the past two years with special programmes to boost demand.

Typically, the schemes offer motorists substantial rebates on new vehicles if they trade in a model over a certain age. The old car is then scrapped. To sweeten the deal, government handouts have usually been matched by manufacturers, meaning rebates can reach up to 25 per cent of the price of a small car.

Macroeconomic pump-priming has been combined with environmentalism, with supporters of the schemes arguing they stimulate the economy and cut pollution by removing the oldest, dirtiest, and least fuel-efficient cars.

The incentives have undergone close scrutiny. Carmakers in the UK and Italy, which, with France and Spain make up four of Europe's five biggest markets, have used their neighbours' programmes to try to persuade their governments to follow suit.

The evidence suggests, however, that incentives are a mixed blessing. Although they boost demand, they pull previously planned sales forward.

The French experience also shows the incentive habit can become hard to kick: French carmakers are dreading the scheme's expiry on September 30.

"Once buyers grow used to rebates, they expect them as a matter of course," says Mr John Lawson, motor industry analyst at Salomon Brothers in London. Manufacturers suffer as price discipline collapses: French buyers now commonly demand the manufacturers' rebates – irrespective of the age of their trade-in. Meanwhile, retailers' desire to clinch that extra sale means rules may be bent, with dealers exaggerating the age of traded-in vehicles.

Even the macroeconomic benefits may be dubious. The motor industry is a big source of employment through manufacturing or, to a lesser extent, distribution and after-sales activities. So incentive schemes have been particularly appealing to countries, such as France and Spain, with large car industries.

"We didn't ask for these measures because we needed it as an industry. The problem is not of the the car industry, but of the French economy," says Mr Yann Delabrière, chief financial officer of Peugeot-Citroën.

However, France's experience suggests the benefits may be short-lived. The programmes have helped foreign brands as much as domestic ones.

Although Peugeot-Citroën and Renault, France's two carmakers, captured the lion's share of incentive-related sales the first time, they have lost share to foreign brands in the second scheme, as foreign brands have offered more up-to-date models in the compact car class, which has been most stimulated by the schemes, than the French.

Even the environmental benefits may have been overstated. While the schemes have eliminated thousands of older vehicles, some observers argue the money could have been better spent on measures such as tightening inspection standards and encouraging garages to test emissions more accurately.

Vehement environmentalists argue the schemes are counter-productive because they encourage people to buy cars. Even the pollution benefits may be marginal: Denmark's Transport Commission reckons the country's scheme cut energy consumption of passenger cars by just 1 per cent.

"Incentives have been exceedingly distorting," says Mr Philip Ayton, motor industry analyst at BZW in London. "They have clearly stimulated some extra volume. But their main effect has been to bring volumes forward and slew markets towards smaller cars."

"At first, it was all very positive," says Salomon Brothers' Mr Lawson. "But maybe the experiment has not proved quite so happy in retrospect."

NEW CARS FOR OLD

Summer sales of new European cars surge

By Haig Simonian

Sales of new cars in western Europe grew more than expected in July and August, with a 16.2 per cent surge in July year on year, followed by a 5.2 per cent increase in August.

Total west European registrations rose to 9,083,400 units in the first eight months of 1996, 6.2 per cent above the same period last year.

The figures will encourage forecasts of increased sales for the year, after earlier expectations that registrations would only climb by between 2-3 per cent.

The July and August figures, released together for the first time by the European Automobile Manufacturers' Association because of torpid data collection in some European countries during the summer, suggest the market is being driven more by special incentives than strong economic fundamentals.

"The economic side provides no underlying direction to the market. On fundamentals alone, you would expect sales to be down, not up," said Mr John Lawson of Salomon Brothers in London.

Mr Chris Will, motor industry analyst at Lehman Brothers in London, underlined the difference between the quality and the quantity of sales, when registrations are largely discount and incentive-driven. "I've never known the stocks of volume carmakers like Fiat, Renault and Peugeot-Citroën to be so weak when the market is growing so rapidly".

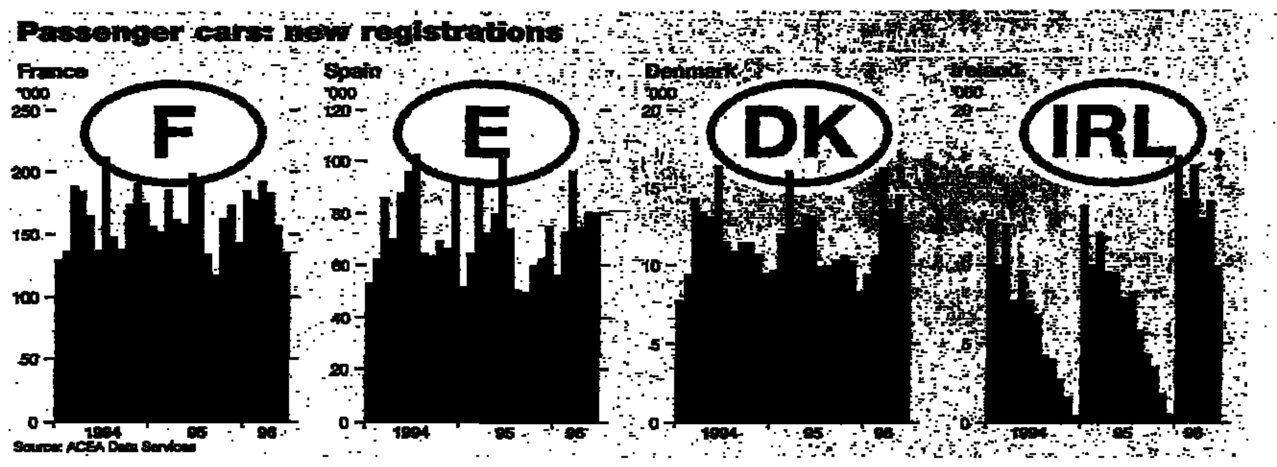
Germany has proved the motor for growth, with rises of 13.6 per cent in July and 5.2 per cent in August year on year. That took the increase in registrations to 7.4 per cent for the first eight months.

However, German demand has been driven by manufacturers' incentive schemes. It may also have been boosted by the swingeing road tax increases from January 1997 for older cars without catalytic converters. The new measures will increase the amount payable on a 1,600cc vehicle by DM460 ($310) to DM670.

Demand in France, Europe's third biggest car market, has also been incentive driven. Registrations leapt by 21.6 per cent in July and 28.6 per cent in August. The August surge, which partly reflected depressed sales in August 1995, was also influenced by the imminent expiry of the scheme.

Big markets without such special features performed much less strongly. Italian sales rose by just 0.8 per cent in July and dropped 7.5 per cent in August, leaving sales in the first eight months marginally below the previous year's level. This must put "pressure on Italy to introduce incentives", said Mr Will.

Passenger cars: new registrations



Source: ACEA Data Services

West European new car registrations
January-August 1996

	Volume (Units)	Volume Change(%)	Share (%) Jan-Aug 96	Share (%) Jan-Aug 95
TOTAL MARKET	9,083,400	+6.2	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,555,527	+10.4	17.1	16.5
– Volkswagen	1,024,276	+14.5	11.3	10.5
– Audi	274,802	+4.5	3.0	3.1
– Seat	203,325	-6.8	2.2	2.4
– Skoda*	54,125	+18.3	0.6	0.5
General Motors†	1,145,336	+2.0	12.6	13.2
– Opel/Vauxhall	1,102,314	+2.3	12.1	12.6
– Saab**	39,254	-3.3	0.4	0.5
Ford group	1,084,737	+4.1	11.9	12.2
– Ford	1,074,548	+4.2	11.8	12.1
– Jaguar	10,189	-7.5	0.1	0.1
PSA Peugeot Citroën	1,081,494	+5.1	11.9	12.0
– Peugeot	643,096	+5.0	7.1	7.2
– Citroën	438,498	+5.3	4.8	4.9
Fiat group‡‡	1,031,255	+8.2	11.4	11.1
– Fiat	823,638	+11.2	9.1	8.7
– Lancia	118,660	-3.5	1.3	1.4
– Alfa Romeo	86,792	-0.9	1.0	1.1
Renault	901,236	+0.4	9.9	10.5
BMW group	564,632	+7.9	6.2	6.1
BMW	298,274	+8.4	3.3	3.2
Rover	266,358	+7.2	2.9	2.9
Mercedes-Benz	321,809	+15.2	3.5	3.3
Volvo	130,113	+13.3	1.4	1.5
Nissan	255,179	-2.5	2.8	3.1
Toyota	232,546	+7.0	2.6	2.5
Honda	139,384	+6.0	1.5	1.5
Mazda	126,105	+4.8	1.4	1.4
Mitsubishi	108,702	+23.1	1.2	1.0
Total Japanese	977,078	+6.1	10.8	10.8
Total Korean	170,069	+45.9	1.9	1.4
MARKETS:				
Germany	2,442,400	+7.2	26.9	26.7
United Kingdom	1,519,200	+4.5	16.7	17.0
France	1,434,000	+7.3	15.8	15.6
Italy	1,233,400	-0.2	13.6	14.4
Spain	617,100	+5.0	6.8	6.9

*VW holds 70 per cent and management control of Skoda.
†Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
‡‡ Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

West European new car registrations
January-July 1996

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jul 96	Share (%) Jan-Jul 95
TOTAL MARKET	7,925,298	+6.4	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,381,327	+10.2	17.4	16.8
– Volkswagen	909,974	+13.7	11.5	10.7
– Audi	245,902	+6.9	3.1	3.1
– Seat	179,325	-1.6	2.3	2.5
– Skoda	46,126	+18.3	0.6	0.5
General Motors	1,015,021	+2.6	12.8	13.2
– Opel/Vauxhall	980,806	+3.2	12.2	12.6
– Saab	33,887	-6.9	0.4	0.5
Fiat group	932,759	+8.8	11.8	11.5
– Fiat	745,150	+11.6	9.4	9.0
– Lancia	108,985	-3.4	1.4	1.5
– Alfa Romeo	82,479	+5.0	1.0	1.1
PSA Peugeot Citroën	935,716	+4.6	11.8	12.0
– Peugeot	552,387	+3.8	7.0	7.1
– Citroën	383,379	+5.8	4.8	4.9
Ford group	929,471	+5.6	11.7	11.8
– Ford	921,853	+5.7	11.6	11.7
– Jaguar	7,618	-11.2	0.1	0.1
Renault	787,462	-1.3	9.9	10.7
BMW group	465,678	+8.1	5.9	5.8
BMW	258,918	+8.2	3.2	3.2
Rover	206,752	+8.0	2.6	2.6
Mercedes-Benz	284,058	+16.8	3.6	3.3
Volvo	114,098	+14.5	1.4	1.3
Nissan	216,734	+0.1	2.7	2.9
Toyota	196,894	+7.1	2.5	2.5
Honda	116,814	+6.6	1.5	1.5
Mazda	108,478	+3.1	1.4	1.4
Mitsubishi	96,219	+26.8	1.2	1.0
Total Japanese	833,758	+7.0	10.5	10.5
Total Korean	144,514	+40.6	1.8	1.3
MARKETS:				
Germany	2,214,400	+7.4	27.9	27.7
United Kingdom	1,039,800	+5.5	13.1	13.2
France	1,262,200	+4.9	15.9	16.1
Italy	1,159,400	+0.3	14.9	15.5
Spain	585,700	+6.3	7.8	7.2

*VW holds 70 per cent and management control of Skoda.
†Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
‡‡ Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

FRANCE

Fears of a sharp downturn

France's latest incentive scheme, offering buyers of new cars a bonus of FFr5,000 ($986) to FFr7,000 for trading in a vehicle at least eight years old, is scheduled to end on September 30.

It has proved so effective in stimulating sales that the government is considering extending it in some way. Figures published last week showed the domestic market had not suffered its traditional summer downturn.

Car registrations in August were up 29.4 per cent on a year earlier at 172,400, the highest August figure for six years. The committee of French automobile constructors said the incentive scheme accounted for more than 30 per cent of these orders. In the first eight months of the year, registrations are up a comparatively modest 7.4 per cent at 1.44m.

Some observers think the end of the incentives might lead to a pronounced downturn in the last three months of the year in the absence of new measures. Citroën has already announced it intends to halt production at its Rennes plant for nine days in the final quarter because of "uncertain sales prospects".

A slowdown in such a vital market is something the government could ill afford at a time when it is anxious to stimulate economic growth to lift the gloomy national mood and improve its chances of attaining the Maastricht convergence criteria for economic and monetary union.

David Owen

SPAIN

Boost for foreign industry

Government cash incentives for Spanish vehicle purchases in 1994-95 played a big role in helping the country's foreign-owned motor industry out of a domestic sales slump.

Spain introduced its Renove scheme in April 1994, offering new-car buyers a Pta100,000 ($800) registration tax discount if trading in a car more than 10 years old.

The manufacturers' association Anfac says the programme had a "very positive" impact on demand but is uncertain how far it helped the sector's recovery from the "alarming" trend of 1993. The initial six-month plan was more effective than the substitute Renove II programme, which offered a reduced Pta80,000 discount for seven-year-old cars.

The programme, accompanied by a similar plan for industrial vehicles based on subsidised credit terms, ended in June 1995.

However, last December the industry received a further boost with a cut in the 12 per cent registration tax to 7 per cent for cars of up to 1,600cc. The new centre-right government is in principle committed to scrapping the registration tax.

The cash incentives and the tax reduction favoured the lower end of the market, which Spanish-based manufacturers dominate. But Anfac says importers, such as Fiat, also gained and the measures had not halted the gradual growth in importers' share, just over half the total market.

David White

DENMARK

Kickstart for the economy

The Danish car-scrapping bonus was introduced on January 1 1994 and ran for 18 months. Some 137,000 cars, about 8.5 per cent of the total, were scrapped at a cost to the exchequer of about DKr7.8m ($1.36m).

The bonus was front-loaded, with an incentive of DKr6,500 for the first six months, falling to DKr4,500 in the second six months and DKr2,500 thereafter.

Most cars, some 101,000, were scrapped in the first period. The figure fell to 23,000 in the second six months and just 13,000 in the closing period.

Denmark's normal scrapping rate was about 35,000 cars a year.

The incentives were introduced after seven years of middling car sales, against a weak economic background since the late 1980s. By 1993, however, the economy was in better shape. A new government had taken office and faced an election the following year. It decided to kick-start the economy with various demand-boosting measures, including the incentive scheme.

Environmental arguments were also used. The parliamentary bill introducing the scheme said Danish roads would be made safer and less polluting by eliminating decrepit vehicles.

The scheme had considerable impact: new car registrations surged: registrations in 1994 jumped to 139,127 units, compared with 80,000-84,000 a year in the early 1990s. Even in 1995, new car sales remained relatively buoyant at 134,564.

Hilary Barnes

IRELAND

Dramatic impact on market

Ireland, where clapped-out bangers are part of the rural landscape, introduced a "cash for scrap" scheme in July 1995. Under the 18-month project, any motorist scrapping an old car at an authorised scrapyard is entitled to a I£1,000 ($616) government rebate on the registration tax on a new vehicle

The initiative has had a dramatic impact on the market. Sales have surged 31 per cent this year to almost 100,000 units to July, compared with 64,000 in the whole of 1995. Mr Cyril McHugh, chief executive of the Society of the Irish Motor Industry, estimates the scrapping scheme accounts for up to half the sales growth.

The scheme is restricted to used cars over 10 years old and is aimed at improving the age profile of Ireland's 1m cars. One in four is at least 10 years old – the highest proportion in Europe.

The scheme has also boosted tax receipts, in spite of the rebates, as car tax in Ireland is higher than many other EU states. Although Ireland has no indigenous car production, the authorities appear unworried by the increased imports because of a healthy trade surplus .

Mr McHugh says the makers benefiting most are those of popular small hatchbacks, such as Ford with the Fiesta and Nissan with the Micra. So succesful have the incentives been the industry is now lobbying the government to extend it for another year.

John Murray Brown

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Top officials ponder who is in charge during operation

Yeltsin may yield control of N-arsenal

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin may temporarily give up control over his country's nuclear arsenal during a coming heart operation, his spokesman said yesterday.

But the president's aide did not specify which government official would be trusted with the Kremlin's strategic "nuclear button", an omission which could be a calculated effort to sow dissension among the president's would-be successors.

"The president of the country is considering various proposals for one of the high officials of state to carry out temporarily the duties of the president of the Russian Federation – or whether this is necessary at all," Mr Sergei Yastrzhembsky, the spokesman, said.

According to the Russian constitution, Mr Victor Chernomyrdin, the prime minister, takes over if the president becomes permanently incapacitated or dies, but the law does not specify to whom power devolves if the Kremlin leader becomes temporarily unfit to rule.

The announcement came as new, but conflicting, details of the president's operation were announced. Russia's NTV television network reported that doctors would set a date for heart bypass surgery at a meeting to be held on September 27-29. NTV said a US cardiologist might be invited to participate in the operation.

But the Russian news agency Interfax said there was still no clear schedule for planning Mr Yeltsin's surgery and speculated that a German doctor might be asked to assist.

Ahead of the operation, Mr Yeltsin has already parcelled out much of his authority among the three strongmen of his administration: the premier; Mr Anatoly Chubais, the Kremlin chief of staff; and Mr Alexander Lebed, the headline-grabbing security chief.

Mr Yeltsin's publicly acknowledged health problems, following more than two months of unexplained seclusion, are believed to have set off a fierce power struggle among this troika. His weak heart has also become a target for the Communists, who have thrown themselves back into more active politics following their depressing defeat in the presidential race.

Mr Gennady Zyuganov, the Communist leader who failed to unseat Mr Yeltsin this summer, yesterday aggressively demanded that the president formally hand over all of this authority during his operation and convalescence. He also attacked the Russian leader for giving life to "malicious gossip" by failing to transfer his powers clearly.

Against this backdrop of Moscow political infighting, the peace process in Chechnya hit a few new snags yesterday.

General Vyacheslav Tikhomirov, the commander of Russian forces in the separatist region, suspended the pull-out of his troops, citing a dispute with Chechen fighters over the exchange of prisoners of war.

But Mr Lebed, whose popularity has soared on the strength of the Chechen ceasefire he negotiated last month, said the commander had been "a little hot-headed" and promised to iron out the difficulties.

Izetbegovic's voice is Sarajevo's loudest

The multi-ethnic message is little heard as Bosnia election approaches, writes Laura Silber

Sarajevo has come to a halt, paralysed by honking cars and chanting supporters waving the green-and-white flag of Bosnia's ruling Moslem party. Patriotic songs blare from loudspeakers. The message is: vote for the Party of Democratic Action, the SDA, of Bosnian President Alija Izetbegovic in the election tomorrow.

The Nato-led peace force and local police have stepped up their presence throughout Sarajevo. Armoured personnel carriers rumble through the city. International observers and visiting politicians have booked all the rooms in the Bosnian capital's shell-scarred hotels to witness the poll, which is being supervised by the Organisation for Security and Co-operation in Europe.

A rally on Tuesday for the opposition Unified List – the five-party, left-of-centre coalition which, along with Mr Haris Silajdzic, the former Bosnian prime minister, is campaigning for a non-sectarian Bosnia – paled in comparison to the SDA spectacle. The opposition parties are expected to win most of their support among voters in Sarajevo and Bosnia's second city Tuzla, where vestiges of a tolerant ethos survived the war even if much of the non-Moslem population has left.

But victory will almost certainly go to Mr Izetbegovic. During the war, the Bosnian president implored the outside world to intervene to halt attempts to partition the republic and preserve it as a unified multi-ethnic state within its internationally recognised frontiers.

His critics say, however, that since the signing of the Dayton peace agreement last December, Mr Izetbegovic and the SDA have done little to promote multi-ethnicity. Instead, they say, the SDA has used the interval of peace to cement its grip on power.

While Bosnian government control over the police and press is far less restrictive than in Serb- and Croat-held areas, it has given the SDA a huge advantage over the opposition in the election campaign.

Recently international election officials fined the Moslem party when its initials were painted – after a police curfew – in huge white block letters on a number of roads across the Moslem-Croat Federation.

And critics say the SDA "hijacked" the Bosnian army for the elections – including fielding war hero officers as candidates.

The stakes in tomorrow's poll are higher for the SDA than its Serb or Croat counterparts. With the Dayton accords, the Bosnian president signed away his claim to be the sole leader of a unified Bosnia. If he wins, Mr Izetbegovic will be a member of a rotating tripartite presidency with a Serb and a Croat.

Bolstered by fears that a vote for the opposition could weaken the Moslems as a group, the SDA also seems likely to capture a majority in the Federation parliamentary election. "The Serbs and Croats have their own parties. We have to vote for the SDA, otherwise we'll be divided," said Amar, a Sarajevo student.

During the war hundreds of thousands of Moslems either fled or were expelled or killed and traces of their centuries-long presence destroyed, first by the Serbs, and then by the Croats. The quest for statehood by necessity became part of the Moslem – now called *Bosniak* – identity.

Critics, in particular Serb and Croat nationalists, accuse the SDA of Islamic fundamentalism. But their defenders say that while Mr Izetbegovic is a devout Moslem, it is more an issue of Moslem nationalism fed by the war and the tremendous losses suffered.

Within the SDA, there are calls for the establishment of a separate Moslem state, even at the expense of, at least temporarily, forsaking claims on the whole of Bosnia.

These voices are likely to grow louder if the crucial post-election period of building joint governing institutions between the Federation with Republika Srpska, the Bosnian Serb entity, goes awry and, as many observers expect, paralysis sets in.

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Supporters of the Moslem nationalist Party of Democratic Action drive through Sarajevo yesterday Reuter

Chirac wants 'sister Poland' in EU by 2000

By Christopher Bobinski in Warsaw and David Owen in Paris

President Jacques Chirac yesterday won applause from both houses of the Polish parliament by pledging French support for the entry of what he called "our sister country in the east" into the European Union by the year 2000, and the start of Nato entry negotiations next year.

"The year 1997 should engage the process, in an irreversible way, of Poland's joining Nato. I hope this negotiation is rapidly concluded," he said.

Mr Chirac's comments appeared to bring France more closely into line with Germany on the issue of EU enlargement. Chancellor Helmut Kohl first set the goal of Poland joining the EU by 2000 during his visit to Warsaw in July last year.

The German chancellor spoke for 20 minutes by telephone with Polish President Aleksander Kwasniewski, just before Mr Chirac addressed parliament. The talk centred on a meeting in Warsaw early next year of the "Weimar triangle", the term given to regular meetings of German, French and Polish leaders and underlined the close links between the two most powerful EU members and the most populous aspirant in the east.

Mr Chirac acknowledged that the EU's rolling Intergovernmental Conference would have to be completed before enlargement could take place. But he said: "In this perspective, I propose that a European conference gather the 15 EU members and all candidate countries" as a forum for political and economic consultations.

In similar vein, he proposed Poland and other candidates for Nato membership be represented at the alliance's next summit next year. He said: "Our duty, our self-interest, our friendship command us to help you to join us in the next few years. Poland will be France's natural partner, its sister in the east."

Brussels remains less optimistic on the timetable for the EU's eastern enlargement. The formal EU position is that negotiations with central and east European countries should start six months after the end of the intergovernmental conference. Mr Hans van den Broek, EU external affairs commissioner, has repeatedly said that 2002 is, in his view, the earliest feasible date for entry.

Mr Jacek Saryusz Wolski, a top Polish official, said he saw the date as a guideline rather than a firm promise.

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Brussels seeks to devolve policing of competition

By Neil Buckley in Brussels

The European Commission has launched a consultation process on plans to "decentralise" policing of some abuses of competition rules, including cartels and price-fixing cases, to national competition authorities.

In the EU's Official Journal yesterday, the Commission called for comments from member states on the proposals, which it expects to include in a draft paper towards the end of the year.

It says creation of the single European market and enlargement of the EU make it inevitable that national authorities should pay a more active role in enforcing articles 85 and 86 of the Treaty of Rome, which relate to anti-competitive practices such as cartels and abuses of dominant positions.

The Commission wants member states' competition and judicial authorities to make more use of existing powers to handle such cases, granted in 1993. The planned new paper would more clearly define each side's responsibilities, but would not change the 1993 rules, officials said.

It proposes that member states should deal with cartels – when they are not eligible for exemption from EU competition rules – as well as abuse of dominant market positions, when the effects are felt mainly within one country.

That would allow the Commission to concentrate on cases with a "truly European dimension", and enforce competition rules more effectively. The staff of Mr Karel Van Miert, competition commissioner, would retain the right to handle cases with particular political, economic or legal significance for the EU.

It would also maintain the exclusive right to grant exemptions from the usual cartel rules.

Such an arrangement would help ease the workload of Mr Van Miert's staff, who had to deal with a 30 per cent increase in the number of cases last year from 1,081 to 1,472, resulting partly from entry of three new members, Finland, Sweden and Austria, into the EU.

Mr Van Miert has made repeated pleas for increased staff, and sternly defended the Commission's right to deal with competition cases against German proposals for part of the job to be handed to an independent agency.

French call for safeguards over sports on TV

By Andrew Jack in Paris

The head of France's audio-visual regulator yesterday called for safeguards to ensure that leading sporting events are not monopolised by pay-TV channels.

Mr Hervé Bourges, chairman of the conseil supérieur de l'audiovisuel (CSA), hinted that legislation should ensure that the largest number of viewers still have access to soccer and other sports events.

His comments, at the launch of the CSA's annual report for 1995, come at a time when the French government is preparing a new audio-visual law to be circulated in the autumn, in which his organisation's opinion will be important.

Mr Bourges expressed concern at the situation in the UK, where he said "under pressure from BSkyB", important sporting events could no longer be seen on terrestrial channels.

He said there was a need for "vigilance" to ensure that the rapid growth of satellite and digital television services elsewhere in Europe did not lead to exclusive control by such broadcasters over popular sporting events.

He cited the Olympic Games, the Tour de France, the Five Nations rugby championship, and the European and world football cup as among those events the CSA intended to safeguard.

There is already tension in France over the exclusive rights for transmission of live top-division soccer games, which have been assigned to Canal Plus, the pay-TV channel. This has provoked a confrontation with Mr Patrick Le Lay, chairman of the rival TF1, who is hoping to broadcast live soccer games on his own rival pay-TV satellite service due to be launched at the end of the year.

Mr Bourges said that in the last year the CSA had attempted to define more tightly broadcasters' editorial responsibilities to provide ethical and high-quality programmes.

He ruled out the need for legislation to enforce codes of conduct, but stressed that violations of the tighter new contracts recently agreed with two of France's leading television broadcasters would be enforced by sanctions.

Similar good-conduct codes would in the future also be applied to the publicly owned channels.

Warning on Deutsche Telekom

By Michael Lindemann in Bonn

Mr Wolfgang Bötsch, Germany's minister for post and telecoms, yesterday warned that the German parliament's delay in approving a directive on telecom liberalisation would disrupt the privatisation of Deutsche Telekom, Europe's largest telecoms operator, whose initial public offering of shares is only weeks away.

Mr Bötsch said the decision by the Bundesrat, the upper house of parliament, to delay approval of the directive could unstitch a deal reached with the US Federal Communications Commission for the approval of Global One, Deutsche Telekom's international telecom alliance.

The minister said the Bundesrat's delay was "absolutely incomprehensible" and warned that unless the directive was dealt with, as planned, in a Bundesrat session on September 27, parts of the prospectus for Deutsche Telekom's IPO would be incomplete. The Bundesrat has said the directive can be approved on October 18.

Ministry officials said that bankers handling the IPO were "horrified" to learn of the delays at this late stage of the process. The IPO is Germany's biggest ever and has attracted considerable international interest.

The directive specifies how private operators such as RWE and Mannesmann can connect their networks to those operated by Deutsche Telekom – one of the most important questions about a liberalised telecoms market which have not yet been resolved.

Germany's private operators, grouped together in an association called VTM, welcomed the delay, saying it would give them more time to put their case on the flawed directive. "The more precisely the directive is formulated the better it will be for us in our negotiations with Deutsche Telekom," RWE said.

Mr Bötsch's concerns about the delay have been heightened by the fact that five big US telecoms operators, including AT&T and WorldCom, have approached the Federal Communications Commission, the US telecoms watchdog agency, and complained that the German telecoms market is not being liberalised quickly enough.

If the FCC takes up the operators' complaints it may cast doubt on the status of Global One, the three-way international telecoms alliance between Deutsche Telekom, France Télécom and the US operator Sprint.

The FCC gave Global One conditional approval last December but insisted that Sprint produce six-monthly reports about the progress of telecoms liberalisation in Germany to ensure that the German market was being opened up to competition.

TRACKING DOWN THE NAZI GOLD

On the extraordinary trail of Hitler's plunder

In the months after the end of the second world war, the victorious Allies spent a lot of time trying to find out what happened to the gold looted by the Nazis across occupied Europe during the years of conflict.

In their discussions about restitution, they distinguished between monetary gold, representing the national reserves of the countries plundered by Nazi Germany, and the private claims of individuals, families and businesses that had suffered loss.

It is the mass of unsettled individual claims that are driving growing suspicions that substantial assets may still be lying untouched in bank accounts and safe deposit boxes in Switzerland.

But it was the plundering of the national reserves of countries ranging from the Netherlands, Belgium and Luxembourg to Poland, Czechoslovakia, Yugoslavia and Albania that preoccupied the Allies most.

Indeed, the definition of monetary gold "was intentionally narrow and aimed at excluding any private claims for restitution", according to the British foreign office report on the Nazi gold issue released this week.

It is clear that this so-called monetary gold accounted for the lion's share of that looted by Nazi Germany to finance its war effort. It therefore also formed the bulk of the gold to be returned once some of

> **Allies' definition of monetary gold 'was intentionally narrow and aimed at excluding any private claims for restitution'**

the secret caches created in the final months of the war inside Germany had been discovered.

The Nazis seized approximately $625m in gold from the central banks of occupied nations according to Mr Arthur L Smith Jr, author of the book *Hitler's Gold*. About $330m in monetary gold hidden by the German Reichsbank was recovered, mainly by the American forces. "It must be assumed that the other $295m had passed into the bank vaults of neutral Europe. Evidence clearly points to Switzerland as the recipient of the largest amount of looted monetary gold," Mr Smith wrote.

Before getting there, the gold had sometimes taken extraordinary routes, as the story of Belgium's gold reserves shows.

Belgium had managed to remove its gold reserves to imagined safe keeping in France as soon as the German attack began. France then managed, before it surrendered, to transfer the Belgian gold, then worth $223m, to Dakar in its West African colony.

With the world at war, the return of the 240 tons of Belgian gold to Europe involved a journey of thousands of miles through the West African interior and across the Sahara Desert to the Mediterranean coast at Algiers. The gold was moved by train, riverboat, camel and truck, before being flown, two tons at a time, across the sea to Marseilles. The first shipments began in 1940, but the last of the Belgian gold – 4,854 cases in all – did not reach Berlin and the Reichsbank vaults until May 1942.

In 1946, the Tripartite Gold Commission, set up by the US, the UK and France, negotiated the recovery of SFr250m of gold from Switzerland. That gold formed the start of a pool for restitution payments. Much larger quantities would eventually be found by the Allied forces in Germany and Austria.

Claims for restitution were received in 1947 from 10 countries: Belgium, the Netherlands, Luxembourg, Czechoslovakia, Poland, Austria, Yugoslavia, Italy, Albania and Greece. According to Mr Emrys Davies, secretary-general of the commission, around two-thirds of the value of the claims has been met, with the main payments made in the late 1940s and 1950s.

The commission's work was quickly caught up in the cold war and then in bilateral disputes, and the final "initial" payment to one of the original claimants, Albania, has not taken place.

The Albanian claim for 2.6 tons of gold taken first by Italy and then by Germany became bogged down in a long dispute with the UK over an incident in which 44 seamen were killed when two British ships hit mines off Corfu. Britain held Albania responsible, and it took 46 years for compensation to be agreed. The 1992 settlement enabled Albania to win UK support to unblock the transfer of 1,574kg of gold from the commission's gold pool in the Bank of England. But it has still not happened.

Once the Albanians have been paid there remains around 5½ tons for final distribution among the 10 original claimants, says Mr Davies. Then the commission can finally be disbanded more than 50 years after the end of the war.

Kevin Done

■ NEW YORK

Dreadful episode near to a close

As far as Mr Elan Steinberg, the executive director of the New York-based World Jewish Congress, is concerned, the story of the Jewish money deposited in Swiss banks to avoid the Nazis "has gone on since the end of the war".

But the crucial event that might bring the story to a conclusion came only a year ago, when Mr Steinberg contacted Mr Alfonse D'Amato, New York's Republican senator. His organisation felt confident that the banks had Jewish assets, but saw no way of proving it.

Mr D'Amato, a staunch defender of Jewish-American causes who had become chairman of the Senate Banking Committee in the wake of the Republicans' victory in the 1994 congressional elections, was happy to help out.

He ordered an inquiry. An enthusiastic team of researchers, organised jointly with the US National Holocaust Museum, soon realised their task was far easier than they had expected. They have already obtained more than 3,000 documents, and are continuing to sift the archives for more information.

Without leaving the US, the senator's team found documents from the OSS (precursor of the CIA), and the US Treasury and state departments (which often revealed intelligence by other governments, including the British), along with Swiss papers, and a "smattering" of captured German archives.

Usually the papers were declassified as soon as they were requested.

Separately, the fall of communism in eastern Europe brought more archives to light for the first time.

Mr D'Amato, who represents the world's largest Jewish community, was also able to grab more attention for the issue by holding public hearings. All those who believed that they had deposits which were being kept from them were invited to testify.

They heard testimony that showed the issue was still live. Ms Greta Beer, a Romanian Jew now living in New York, told how her father had said: "Don't worry. You will be provided for. The money is safely deposited in Switzerland."

The World Jewish Congress is careful to state that it sees the issue as a moral, and not a financial one. It does not want to lay claim to any money that was not deposited by holocaust victims. Most of the potential direct beneficiaries are in any case long dead.

Further, it makes clear that it does not regard the Swiss bankers as "criminals", merely as accessories.

And although the investigation has now expanded to cover assets looted by the Nazis, such as gold bars made from the teeth fillings of holocaust victims, it is determined to keep talks, in the short term, focused on the issue of deposits made by Jews before the war where there is a surviving claimant.

For Mr Steinberg, the most important point is that once a settlement has been reached, the most dreadful episode in Jewish history will be over. "This is literally the last chapter of the holocaust."

John Authers

■ SWITZERLAND – By William Hall

Nation's feverish exercise in damage limitation

Switzerland is not a country that takes fast decisions. Its slow response to the growing criticism of its wartime record as a safe haven for looted Nazi gold has been misconstrued in some quarters as a failure to take the matter seriously.

It is not helped when senior bankers such as Mr Robert Studer, UBS chairman, dismiss as ridiculous Jewish claims that Swiss banks are still harbouring billions of dollars due to holocaust victims, claiming that the real amounts are "peanuts".

Mr Hans Baer, a leading Swiss banker who masterminded the Swiss end of the negotiations with the Jewish organisations, is more diplomatic. But he still believes that most of the information now coming out is already "extremely well known".

The Swiss National Bank published its own survey of its gold trade with the German Reichsbank in 1985. It found that Switzerland had bought SFr1.7bn of gold from the Germans during the 1939-45 period and SFr3bn from the Allies.

The Swiss argument has always been that its main wartime role was as a transit point for gold rather than as a final depository. The Swiss National Bank's figures are important because all the gold imported and exported through Switzerland had to pass through its accounts. Commercial banks were not permitted to import gold without the SNB's knowledge.

However, Switzerland's dismissal of recent allegations should not hide the fact that behind the scenes the Swiss are working feverishly on a damage-limitation exercise.

At first Switzerland was prepared to let its private banks deal with the initial allegations, which centred on the fate of dormant accounts belonging to Jewish victims of the holocaust.

However, relations between the Swiss Bankers Association (SBA) and the Jewish organisations became increasingly strained in last year's secret negotiations and it gradually became clear to the Swiss government that it could not sit on the sidelines.

On May 2 last year, the Swiss bankers and the Jewish organisations signed an agreement to set up a committee to investigate the fate of dormant Jewish bank accounts held at Swiss banks. Less than a week later Mr Kaspar Villiger, who was then state president and is now finance minister, reached agreement with the Jewish organisations on draft legislation to waive the country's severe bank secrecy laws to help the inquiry.

Initial arguments centred on the fate of Jewish assets in Swiss banks, and this will be the main task of the committee headed by Mr Paul Volcker, former chairman of the US Federal Reserve, which contains three people from each side. However, the growing international pressure on Switzerland to face its past has led to a substantial widening of the inquiry in recent weeks, which is reflected in the changes to the draft legislation.

The first draft concentrated on legal measures to speed up the inquiry into the fate of Jewish assets deposited in Switzerland between 1933 and 1945. However, the legislation, which is being masterminded by Mr Mathias Krafft, a senior Swiss civil servant, has now been extended to cover the "fate of assets which reached Switzerland as a result of National Socialist rule".

This covers a much wider area than Mr Volcker's committee and the Swiss government intends to make use of its new legislation, which it hopes to have in place by the end of the year, to launch an investigation by its own special commission of eminent historians, lawyers and business people.

This is not the first time that Switzerland has tried to investigate its past. But the early indications are that the current exercise will be thorough.

The wartime activities of the Swiss National Bank and the Swiss bank clearing system are just two areas that should prove to be more fertile areas of investigation than the Volcker committee's re-examination of dormant Jewish bank accounts.

■ BANK FOR INTERNATIONAL SETTLEMENTS – By William Hall

Enemies who worked together as war raged

There is no doubt that the Bank for International Settlements, a Swiss-based institution, had a substantial role in financial dealings with Germany during the war.

There is a large volume of research on the Basle-based bank and, while much of it is not particularly critical, there are exceptions. One is the book *Bankgeschäfte mit dem Feind* (Banking with the Enemy), by Mr Gian Trepp, a Swiss investigative journalist, which received little international attention when it was published in 1993.

The pictures alone are fascinating. One shows Mr Thomas McKittrick, the US president of the BIS throughout the war, sharing a seemingly happy group photograph in 1941 with Mr Per Jacobsson, the bank's chief economist, Mr Paul Hechler, the German head of the BIS's banking department, Mr Raffaele Pilotti, the Italian secretary-general, and a Mr Y Yamamoto of the Bank of Japan.

The BIS is owned by the world's leading central banks and Mr Trepp was prompted to write the book in an effort to understand how its British, American, Japanese and German officials could continue working together in Basle while their respective armies were slaughtering each other on the world's battlefields.

His conclusion is that both sides used the BIS as a place to spy on each other's financial transactions. He argues that the BIS was also used as a money-laundering machine by the Germans to access international markets. He also accuses Mr Jacobsson of leaking details of the Allies' advance plans for the post-war financial reconstruction of Europe to the German Reichsbank in Berlin.

Not surprisingly, the BIS's own official history sheds little light on this fascinating period. It suspended meetings of the board of directors in 1939, but Mr Trepp believes that more than a dozen British officials continued to work for the BIS in Basle throughout the war.

Two at the heart of the affair: UBS chairman Robert Studer (*left*) has claimed that the amounts held in Swiss banks are "peanuts" while Swiss finance minister Kaspar Villiger has a key role in his government's damage limitation exercise

■ BRITISH REACTION – By Norma Cohen

Claimants beset by difficulties

Mrs L, a north Londoner, tells the story of her mother's cousin, now aged 90, who fled Nazi Germany with her mother, leaving her father behind, just before the outbreak of the second world war.

"She tells me she remembers that on the day they left Berlin, her mother said to her father: 'Look, you have that Swiss insurance policy. Why don't you cash it in and use it to buy your way out of Germany?'."

The man refused. "He thought things were going to get better," she says. "Of course, he perished."

Now, Mrs L is trying to assist her mother's cousin in preparing a claim against the Swiss banks for the proceeds of the insurance policy. "The first question on the form is: 'What is the number of the account?'" Mrs L says.

The case is typical of many British individuals who may have a genuine claim to the $500m of gold shipped to Switzerland from Germany in the years before and during the war.

According to Mr Ernest David, chairman of the Association of Jewish Refugees, potential claimants fall into two categories. First, there are those from whom jewellery was confiscated and melted down into gold, along with "the dreadful remnants of gold from the teeth of those murdered by the Nazis".

The second category, he says, includes those who deposited assets in Switzerland for safe keeping. The difficulty for this group, according to Mr David, is that relatives or survivors are unlikely to have had any documentary evidence of the deposits and relatives may not even know they exist.

"When parents put money into Swiss bank accounts they were in fear for their lives," says Mr Peter Sinclair, chairman of the Association of Jewish Ex-Berliners. "It was illegal for hard currency to be removed from Germany during the 1930s," he says. "They wouldn't tell the kids for fear that they would talk."

Estimating the size of potential UK claimants is difficult, representatives of Jewish groups say. About 70,000 Jews from central Europe came to Britain in the years between 1933 and 1939. There are no statistics on how many later settled in Britain after the war.

Mr Michael Savitt, chairman of the foreign affairs committee of the Board of Deputies of British Jews, says that since January 1966, only 800 formal claims have been filed by Europe-based holocaust survivors or their relatives. "As far as the British claims are concerned, I know of none," he says.

UK Jewish groups say the confirmation of the gold's existence has raised very serious moral issues for the Swiss government and for Britain. For instance, did the Bank of England, which received a small portion of the gold in 1946, ask about its provenance?

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Beijing orders clampdown on media

By Tony Walker in Beijing

China appears to be tightening screws on the flow of information across the board in a sign of increasing political sensitivity in Beijing during a difficult transition to a new generation of leaders.

Closure earlier this month of dozens of web sites for Internet users, notably sites carrying Chinese language material, reflects a desire to curb views unsympathetic to the Communist party.

The authorities have also been enforcing tougher controls on the Chinese press, authors and film makers as part of an apparent attempt to impose stricter orthodoxy.

The latest moves coincide with preparations for a meeting of the Communist party Central Committee which will discuss "spiritual civilisation," a coded phrase for attempts to "purify" Chinese society and develop new guidelines for civil conduct.

The "spiritual civilisation" campaign is widely regarded as an attempt to bolster Mr Jiang Zemin, president of the republic and party general secretary, who advocates a return to Confucian ethics, or a new oriental authoritarianism as possible substitute for a discredited Communist system.

Western officials attribute the apparent clampdown on the media to a heavier hand by the propaganda apparatus. Mr Ding Guangen, propaganda chief and ally of Mr Jiang, has used the country's public media tirelessly to promote the party leader's interests.

Mr Jiang is seeking to consolidate power before a meeting late next year of the Communist party congress. These events, held every five years, carry immense weight. The 15th congress will endorse leaders and policies to carry China beyond the year 2000 and the era of the ailing patriarch, Mr Deng Xiaoping.

Among web sites closed are those in Chinese language espousing the dissident cause. Internet addresses of Hong Kong and Taiwan newspapers have also been blocked, along with web sites of Amnesty International and the New York-based Human Rights in China and Human Rights Watch/Asia – constant thorns in Beijing's side.

China's propaganda chieftains have also taken aim at local publications which have dared to rock the boat. It emerged this week that Economic Work Monthly, a publication based in south-western Guizhou province, had been closed because of articles strongly critical of Marxist orthodoxy.

The articles by Mr Cao Siyuan, a Beijing-based economist, had "violated propaganda discipline" and contained "serious political problems," reported Reuter, referring to a notice issued by the Press and Publications Administration, which oversees the Chinese press.

Chinese involved in the arts and literature expect the present "grey" period, with little scope for innovation, to continue until next year's party congress. China's media also appears likely to experience similar pressures to conform.

Sales of more attractive assets likely to be precluded

Delhi raises ceiling on sell-off stakes to 74%

By Mark Nicholson in New Delhi

Mr P. Chidambaram, India's finance minister, said yesterday the government was prepared to sell stakes of up to 74 per cent in what it called "non-core, non-strategic" public enterprises, for the first time entertaining the possibility of ceding a majority share in a state asset.

Mr Chidambaram said the measure was a "big step", though the move could fall short of clear-cut privatisation. Indian law confers strong and potentially blocking rights for shareholders with a 26 per cent stake, which would amount to the government retaining a "golden share".

Bankers said the definition of "non-core" and "non-strategic" is also likely to preclude sales of majority stakes in India's bigger, more profitable and thus most attractive public assets, such as state-owned oil or telecoms corporations.

The move is nevertheless a tentative step towards a policy of privatisation, rather than simply asset divestment. The term "privatisation" has been almost politically taboo in India, raising strong opposition from organised labour and leftwing parties, some of which number among the parties in coalition.

The "non-core, non-strategic" category is likely to include state interests in such sectors as tourism and hotels. However, Mr Sitaram Yechuri, a leader of India's Marxist party, which has strong influence in the 13-party coalition government, said that a precise definition of "non-core, non-strategic" was "not yet clear anywhere in the government".

Mr Chidambaram: a 'big step'

Mr Yechuri said the definition would be clarified by a new Divestment Commission set up by the three-month-old government to advise on state disinvestments. One Bombay-based foreign banker said the definition would be likely to be "crafted so as to eliminate almost all of the more attractive assets".

India's previous Congress government undertook a programme of limited divestment of state holdings in 40 companies, raising Rs105bn ($2.9bn) in what the government considered more a revenue-raising measure than an attempt to change ownership or management. Congress policy ruled out sales of more than 49 per cent of any state enterprise.

Mr Chidambaram, a more zealous reformer than some of his United Front (UF) colleagues, said the government could eventually "think in terms" of selling stakes exceeding 49 per cent in "core" and "strategic" public enterprises, though sales of bigger stakes in the state-run enterprises inherited from India's socialist 1960s and 1970s are unlikely to win the approval of leftwingers in the UF.

The UF government committed itself in this year's budget to raising Rs50bn from further divestments, with Mr Chidambaram promising three tranches of sales in September, November and January. Revenues from the sales are critical to meeting the government's target of cutting the fiscal deficit to 5 per cent of gross domestic product this fiscal year, but progress has stalled.

Pakistan business fears devaluation was not enough

By Farhan Bokhari in Karachi

This week's devaluation of the Pakistan rupee has temporarily halted the currency's speculative slide, but businesses fear the official intervention may still be insufficient to boost exports and reverse a growing trade imbalance.

The country's central bank – which operates a managed exchange rate system under which it announces, on business days, the day's exchange rate against all leading foreign currencies – devalued the currency by 3.79 per cent on Tuesday amid concerns over a widening disparity between the official and open market exchange rates. The official rupee rate has been devalued by just under 8 per cent since January.

The rupee yesterday closed at 40 to the US dollar in the "open market", a parallel rate set by businesses – just over 8 per cent less than the new official rate of 36.92. This was down from a gap of more than 10 per cent before the devaluation. Pakistan's central bank usually accepts a 5-6 per cent difference between official and open market rates.

Mr Hussain Ali, a currency dealer at the privately owned Dubai Currency Dealers, said: "Customers are now finding the official rate to be more realistic. There is not as much speculative buying [of dollars and sterling] as last week."

The recent increase in open market rates was a sign of worries over the country's balance of payments position and general economic woes. This week's official action is a response to the trade deficit, which rose to $270m in July, up from $95m in June. The government has not released the August figures yet, but many businessmen forecast a further increase.

The worsening trade performance during the first two months of this financial year (July-June) has convinced many analysts that Pakistan may face a foreign exchange squeeze by the end of the year. Foreign exchange reserves – now at $1.7bn, equal to about six weeks worth of imports – could sink further if the trade performance does not improve. In December Pakistan must also meet $700m in debt payments.

At the same time, many businessmen are concerned by Pakistan's troubled relations with the International Monetary Fund, which is disappointed at the introduction of a new "goods and services sales tax". Businessmen say the extra burden will work its way through into export prices, making them uncompetitive. The Fund wants Islamabad to review the taxes.

In its June budget the government did unveil several new taxes but back-tracked after protests from a bizarre alliance of money interests and the mosques, whose constituents protested on prayer days.

ASIA-PACIFIC NEWS DIGEST

Parties split on Japan poll date

The leaders of Japan's three-party ruling coalition yesterday ended a meeting without setting a date for a general election, in spite of pressure from the ranks of the dominant Liberal Democratic party for a snap poll on October 20.

The session, called by Mr Ryutaro Hashimoto, the prime minister, discussed improved prospects for settlement of a dispute with the local government of the southern island of Okinawa, which is refusing to renew leases for strategically crucial US bases there – one of the main barriers to a general election. Mr Hashimoto said he first wanted to be sure that the Okinawa dispute was settled, following the offer of a Y5bn ($45m) central government economic development grant, and to be satisfied that Japan's economic recovery was sustainable, before setting a date. *William Dawkins, Tokyo*

■ Japanese companies and industry interest groups donated Y16.5bn ($149m) to political parties last year, the lowest since records of political donations began in 1976, the home affairs ministry said yesterday. This was nearly 39 per cent less than the previous year and comes as a result of a legal clampdown on political funding, which took effect at the start of 1995. It limited politicians, for the first time, to only one fund-raising group and limited companies to a Y500,000 annual donation per political group. *William Dawkins, Tokyo*

NZ expects strong growth

New Zealand will enjoy strong economic growth, budget surpluses and a sharp fall in debt over the next four years, the treasury said yesterday in its pre-election picture of economy. The treasury said growth would dip slightly from earlier forecasts to 2.5 per cent in the year to March and bounce back to 3.7 per cent the following year, underpinned by a round of tax cuts planned for July 1997.

The forecasts form part of economic projections the government must announce by law four weeks before an election. Net public debt, the treasury said, would fall from 32.5 per cent of gross domestic product this year to 13.8 per cent in 1999-2000. It said the budget surplus would rise to NZ$6.4bn (US$4.4bn) by 1999-2000. Mr Bill Birch, finance minister in the ruling National government, said the positive forecasts ensured that the government could meet its promises of spending an extra NZ$800m on social welfare and education and NZ$600m on health over the next three years. *Terry Hall, Wellington*

Australian federal rail sale

Australian National Railways, the country's federally run rail authority, yesterday put up for sale four of its remaining eight businesses – just 24 hours after a report revealed that it had operating losses of around A$135m to A$148m (US$108m to US$118m) in 1995-96 and no prospect of commercial viability in its existing form.

The businesses for sale include the infrastructure services, which build and maintain track and signals; the Powerail locomotive services; Railmec, which provides engineering and fabrication services; and RailFleet, which maintains and hires wagons. Management said it had no fixed views on how the businesses should be sold, but was asking for expressions of interest. *Nikki Tait, Sydney*

■ Australia's jobless rate rose to 8.8 per cent in August on a seasonally adjusted basis, up from 8.5 per cent in the previous month and the highest level seen since April. *Nikki Tait, Sydney*

NEWS: WORLD TRADE

Textile exporters spurn EU quota offer

By Caroline Southey in Brussels

Leading textile exporters have rejected European Commission calls for a trade liberalisation pact which would include the removal of trade barriers as a *quid pro quo* for the EU reducing quotas on sensitive products.

The Commission has failed to entice 12 leading textile exporting countries into accepting an offer to cut quotas on the most protected textile and clothing items on condition that exporters dismantle barriers to EU imports.

The Commission launched the initiative in May but none of the leading textile and clothing exporters, including India, Pakistan, Indonesia and Thailand, Malaysia, Philippines, Argentina and Brazil, has taken up the offer.

"The response from the major exporters so far has been nil," an EU official said. "We still plan to give it a couple of days but if there continues to be no response it will be politically impossible to make major progress on liberalisation," he added.

But trade officials said textile exporters were against the EU attaching any "conditionality" to phasing out quotas as required under the General Agreement on Tariffs and Trade. "The Commission offer is contrived. The Gatt rules are clear. There is no obligation on the part of the exporters to make reciprocal concessions," one trade official said.

An EU diplomat said large exporters wanted the EU to "carry out its commitments under Gatt with no ifs and buts".

Trade officials added that exporters had not responded to the Commission's proposal because they did not want to "establish a link where none exists. This could set a precedent for other sectors, such as agriculture, which the exporters want to avoid".

The Commission will shortly announce a package to meet conditions set out under the Agreement on Textiles and Clothing. The regime involves phasing out the multi-fibre arrangement by 2005 by "integrating" all items into normal Gatt rules and moving to zero tariffs.

A second round of liberalisation covering 17 per cent of trade in volume in the sector and has to be decided by January next year. For the EU, this involves reducing quotas on products worth Ecu5.5bn ($7bn).

But EU officials said its quota cutting package would be far less ambitious than originally envisaged.

Under Gatt importers can choose which products to "integrate" first, ranging from those with no quotas such as shawls and scarves, to those with limited quotas such as swimwear, ski suits and men's suits and those with high quotas. The US has served notice that it will remove quotas from import-sensitive items only in the final phase of the programme.

BMW in Thai car shake-up

By Ted Bardacke in Bangkok

BMW of Germany has taken over management control of its wholesale operations in Thailand, part of a growing trend among foreign car manufacturers which are taking responsibility for distribution away from local partners.

Similar moves by General Motors and Ford of the US and attempts by Nissan of Japan to do the same thing is forcing a realignment of Thailand's domestic vehicle industry, where a maze of cross ownerships and joint ventures are being re-examined as competition intensifies in south-east Asia's largest and most competitive car market.

BMW's move was announced yesterday as it established a new joint venture, BMW Thailand, with its long-time Thai partner, the Yontrakit Group. While Yontrakit will own 51 per cent of the new company, BMW made it clear that this was a condition of Thai law and that the managing director of the new company would come from BMW. Yontrakit will continue to assemble BMW cars in Thailand and market BMW products in its exclusive dealership network.

BMW Thailand will be the third sales organisation managed directly by BMW in Asia, after Japan and Korea.

Nissan is negotiating to take over its local distribution operations from Siam Motors, while Ford recently announced it would take over wholesale distribution from its two local partners, including Yontrakit, who will be relegated to managing dealerships.

GM will also take over management of distribution from its partner, Phra Nakorn Automobile.

BMW is trying to consolidate its operations in Thailand after taking over the Rover Group, which has a separate local joint venture partner. Mr Bernd Pischetsrieder, chairman of BMW, said he would ideally like Yontrakit to assemble all of BMW's brands. "But we also have a responsibility to existing partners and the money they have invested," he said.

Mr Pischetsrieder denied local speculation that BMW would expand its Thai assembly operations into a manufacturing base for south-east Asia, saying that would require both a lowering of import duties on parts as well as finished vehicles throughout the region.

With BMW's 1995 sales in Thailand a disappointing 5,200 units, Yontrakit's plant assembling BMW cars is operating at 40 to 50 per cent capacity, offering BMW room to expand.

US envoy admits failing to win over Europeans on Cuba law

Eizenstat: Divergence of philosophical attitudes

Mr Stuart Eizenstat, US special envoy on Cuba, acknowledged yesterday that his recent tour of European capitals had failed to soften political and business opposition to the Helms-Burton anti-Cuba law, writes Guy de Jonquières.

However, he said in London that he was encouraged by his discussions, and believed they marked a step towards finding common ground between the US and Europe on ways to bring democracy to Cuba.

"I came away with the sense that though the Helms-Burton issue is a very, very serious issue, there is a possibility at least of working through that anger and of focusing on ways in which we can build a democratic Cuba," he said.

Nonetheless, Mr Eizenstat saw no chance of overcoming a transatlantic "divergence of philosophical attitudes" over whether that goal could be best achieved by isolating the Castro regime or by engaging it.

He welcomed recent signals that the European Union might not implement retaliatory measures against the Helms-Burton Act, which targets foreign investors in Cuba.

He did not think, however, that any delay would be more than temporary.

Mr Eizenstat plans to return to Europe for further talks next month.

House clips wings of US overseas investment guarantee agency

By Nancy Dunne in Washington

The US Overseas Private Investment Corporation is in danger of losing its authority to extend new investment guarantees and political risk insurance when the fiscal year ends on September 30.

Legislation to reauthorise Opic for five years and virtually to double the statutory ceilings on its insurance and financing capacity have failed to pass the House of Representatives. Although Opic officials yesterday were scrambling to get the measure re-attached to another bill, time is short and they may not succeed.

Opic's activities have expanded as the agency has taken an increasingly large role in US foreign policy, encouraging US companies to invest in emerging economies. It was seeking authority to make up to $25bn in insurance commitments and up to $30bn for its financing programmes.

Its political risk coverage protects against currency inconvertibility, expropriation and political violence. Its investment funds have been encouraging US corporations to venture into former Communist countries and other emerging markets. Although it plays a government role, Opic operates as a private corporation. It gets no government funding, but earns profits each year which it turns over to the US treasury. Ms Peggy Houlihan, head of the Coalition for Employment through Exports, said the agency has been "a victim of disinformation" about its funding and role.

One conservative group, the William J. Casey Institute of the Center for Security Policy, has contended that Opic "appears to be emerging as the Clinton Administration's slush-fund of choice to advance often ill-conceived foreign policy initiatives, particularly vis-a-vis Russia".

WORLD TRADE NEWS DIGEST

Bank boost for Georgia trade

The Commercial Bank of Greece and the European Bank for Reconstruction and Development have founded the first international bank in Georgia, as part of an expansion of the Greek bank's operations in the Black Sea and Balkan countries.

The International Commercial Black Sea Bank-Georgia (ICBSB-Georgia) is the first bank to be created under the terms of a deal made by the EBRD and the Greek bank last December, which is planned to lead to the establishment of joint-venture banks in several countries including Albania, Armenia and Moldova.

The Commercial Bank of Greece is planning to invest $43.5m in the programme, with equity financing of up to $15m coming from the EBRD. The Georgian bank, which will have an initial capital of $3m, will be 51 per cent owned by the Commercial Bank of Greece, with the EBRD holding 20 per cent and the local partner, United Georgian Bank, taking 29 per cent.

The new bank will offer local companies a range of products, including trade finance, foreign exchange, money transfers and other services related to international payments. It will not provide retail banking services.

Hitherto companies in Georgia have had only limited access to very costly short-term trade finance, the EBRD said. *Kevin Done, East Europe Correspondent*

Japan in China power deal

The Export-Import Bank of Japan is to lead a $670m loan for the construction of a power station in China, the bank's first funding for a Chinese infrastructure project involving the private sector, it announced yesterday.

The Eximbank will provide $403m of the loan, which is not guaranteed by the Chinese government, and the remainder will be handled by the Bank of Tokyo-Mitsubishi.

The plant will be built in Zuhai, in the economically fast-growing southern province of Guangdong, by an international consortium including Mitsubishi Heavy Industries, a member of the same *keiretsu* corporate family as the Bank of Tokyo-Mitsubishi. It is common practice for *keiretsu* members to work together on big projects in emerging markets.

Other consortium partners include a group of Hong Kong property developers.

The 700MW coal-fired plant is due for completion in the year 2000 and profits from it will be used to repay the loan. *William Dawkins, Tokyo*

Praise from forest industry

The American Forest and Paper Industry yesterday said Japan had made so much progress in opening its wood products market to imports that it should be removed from a US government watch-list of nations potentially subject to sanctions.

The group, which represents the US forest products industry, praised the Japanese government for its construction policy, for recognising the US wood grading systems and for moving towards more imports.

Mr W. Henson Moore, president of the group, said full implementation of commitments by Japan should lead to a 20 per cent increase in US sales in each of the next five years with a potential market for US wood products of $2.5bn by the year 2000. *Nancy Dunne, Washington*

NEWS: THE AMERICAS

Menem austerity plan threatened

By David Pilling in Buenos Aires

The ability of Argentina's governing Peronist party to steer legislation through parliament was yesterday thrown into doubt after Congress failed to pass an austerity package considered vital by the administration to plug the growing budget deficit.

Deputies did not even debate the package, originally designed to raise up to an annual $1.4bn, after failure on Wednesday night to reach quorum because of the absence of all opposition congressmen as well as several Peronist members.

Although the package will be resubmitted next week, the initial failure raises questions about the ability of President Carlos Menem to discipline his increasingly fractious party.

Defeat also augurs ill for Mr Roque Fernández, the new economy minister, who appears to lack sufficient political support to implement his tough policies.

The package as it now stands bears only passing resemblance to that unveiled by Mr Fernández last month. Strong lobbying from interest groups and dissension among Peronist legislators have savaged the original 21-point plan, removing measures to extend value-added tax to areas such as education and cable TV.

Mr Fernández has argued that, although many individual proposals have been rejected, the impact of the changes on the package's overall revenue-raising will be minimal. The central measure of increasing diesel and petrol taxes – and not to share additional revenue with the provinces – has been left intact.

Watching closely will be the International Monetary Fund, which is due to sign a letter of intent with Argentina next week in which it will grant a waiver for missed budgetary targets and set new goals for 1996 and 1997. Passage of the austerity package is central to the agreement.

According to leaked accounts of the deal, Argentina will be permitted a budget deficit of $5bn this year and $3bn, or about 1 per cent of gross domestic product, in 1997. If no action is taken, Mr Fernández estimates that the deficit will reach $6.6bn this year, although those figures were last week dismissed as exaggerated by Mr Domingo Cavallo, the displaced economy minister.

IMF deficit figures assume growth of 3 per cent this year, 2 points below the original supposition, and 5 per cent in 1997.

Wage squeeze set to continue, says report

By Nancy Dunne

The trend of declining real wages for most US workers is likely to continue during the next 15 years, while wage equality in the US will continue to grow, according to a new report released yesterday by the US government's Competitiveness Policy Council.

Like other recent studies, "Running in Place: Recent Trends in US Living Standards," documents the wage squeeze which plagues most US families and requires most women to work. The report concludes that despite modest improvements in wages, there is little likelihood for significant advances, particularly for workers who suffered income setbacks in recent years.

Almost all groups of workers have been found to have experienced a deterioration in wages, although educated workers have fared better. Average real hourly wages are still $1.20 below their 1973 peak level.

The findings call into question the emphasis by the Clinton administration on education and jobs training as a solution to the wage decline. The explosive growth expected for skilled workers in the 1990s has not materialised.

The competitiveness council is an independent advisory committee whose members are chosen by both the president and Congress. Its chairman is Mr C. Fred Bergsten, who also heads the Institute for International Economics, which has long championed trade liberalisation.

The report, based on two papers commissioned by the council, cites increased international trade and large US trade deficits as "important factors" in reducing the wages of non-college educated workers. Industrial jobs have been lost overseas and manufacturing jobs have been created slowly. "Even when jobs are not lost, competition from imports can create pressure to lower prices and therefore wages in import-competing sectors," the report says.

A large-scale shift in employment to low-wage sectors, documented in the 1980s, is likely to continue as a result of the trade deficits and de-industrialisation.

US wholesale price inflation remained subdued last month, according to yesterday's report from the Labor Department.

Its producer price index did rise by 0.3 per cent compared with July, the steepest nominal increase in five months. But that was mostly the result of a 1 per cent increase in food prices, writes Jurek Martin in Washington.

Excluding the usually volatile food and energy sectors, the underlying rate of wholesale price inflation actually fell in August by 0.1 per cent, the first drop since last March.

Today, the government issues its widely watched consumer price figures for last month. Market expectations are for an increase of around 0.2 per cent. Anything worse may upset this week's impressive Wall Street rally, which continued in early trading yesterday, and would make more likely a Fed increase in short-term interest rates when its open market committee meets on Tuesday week.

The Labor Department also reported yesterday an unexpectedly high increase of 21,000 new claims for unemployment benefits last week.

Capital set to flow into Latin America

By Stephen Fidler, Latin America Editor

Private capital flows into Latin America this year should approach the record volumes of the early 1990s but are likely to be less volatile than in the early part of the decade, the UN Economic Commission for Latin America and the Caribbean (Eclac) said yesterday.

The Santiago-based agency, in its annual economic panorama that covers the nine largest economies, said that in the absence of adverse shocks the total net inflow of capital will exceed $30bn in 1996, almost double last year's level.

The capital will be "longer-term and less volatile" than in the past with foreign direct investment probably reaching a record $25bn, compared with $22bn last year. Investment will be significant in Argentina, Brazil, Chile, Colombia and Peru – with Brazil, Chile and Colombia likely to receive record volumes – and also showed a positive trend in Bolivia, Costa Rica and Venezuela. But Mexico is expected to receive just $7bn, compared with $11bn in its best year, 1994.

About $25bn of new bonds were issued in the first seven months of the year with an average maturity of more than five years, though half the sum was accounted for by maturities of existing bonds.

The volume of syndicated loans to the region from banks showed a significant increase, while sums raised through the issue of American Depositary Receipts grew slightly.

There were no indications of any exit of short-term capital, although an eventual increase of US interest rates could lead to an outflow in the second half of this year.

This unexpected increase in capital inflows together with a good export performance, despite weak prices for some products, should help growth in the region to recover this year to 3 per cent from 0.3 per cent in 1995. Inflation continued to fall with average inflation down to 22 per cent compared with 26 per cent.

The value of exports from the nine economies grew by 12 per cent in the first half year, while imports expanded by less than 7 per cent. The region's trade surplus should grow slightly this year but its current account deficit should be little changed at about $32bn.

However, expected growth will not be enough to reduce unemployment, which rose to its highest level in a decade in 1995. Wages meanwhile have been stationary in real terms, growing only in Chile and Brazil, particularly around Rio de Janeiro.

Mr Gert Rosental, Eclac's executive secretary, said the recovery of growth indicated that the region's economic trajectory had not been ruptured by the Mexican financial crisis.

Christopher Parkes on opposition to a California state ballot proposal for a law allowing 'frivolous' fraud suits

Business fights hard against lawsuit initiative

Californian business leaders have turned up the heat in a campaign to kill a proposed new securities law which, many claim, threatens to crush them under an avalanche of "frivolous" fraud suits.

Mr Larry Ellison, chairman and chief executive of the Oracle software group, believes Proposition 211, a state ballot initiative which purports to protect investors from corporate fraud, has "no chance".

But his is a lone voice, and his apparent confidence does not prevent his raging against the impertinence of 211's backers, a lawyer-led coalition which includes retired people's associations, consumer and investment groups, trade unions and the state Democratic party.

"They present themselves as the knight-lawyers of the Round Table, but they are really economic terrorists and extortionists," he said in Los Angeles this week. "If it [211] goes through it will destroy corporate governance, destroy the technology industry and benefit only lawyers."

The proposition, which would in effect nullify in California recent federal legislation intended to stem the flow of "frivolous" shareholder suits, will pass into state law if approved by a popular vote on November 5.

Under its provisions, a sharp drop in a company's share price, from whatever cause, would be grounds enough for an individual rather than shareholders as a group to launch a lawsuit.

Since high-tech companies' shares tend to be volatile, the sector could face a constant litigation barrage. California, 211's opponents agree, would become the focus of a latter-day gold rush among so-called "strike" lawyers, who would be able to launch legal attacks on companies nationwide, and possibly even abroad.

The strike lawyer's technique relies on a typical company's willingness to settle out of court to avoid long, distracting and costly proceedings, and the lawyer's willingness to work for a slice of the "take" rather than a fee.

Proposition 211 has an extra irritant in its formula that the opposition has seized on in its counterblasts and in fund-raising efforts, which have proved especially fruitful among accountancy firms, stockbrokers, securities associations and leading stock exchanges.

While under current securities laws only those directly involved in buying or selling stocks are liable, Proposition 211 would extend *personal* liability to company officials, lawyers, accountants and other advisers with marginal connections to any transaction.

"Your stock goes down. You are automatically assumed to be either a crook or incompetent... and they want your house," said Mr Ellison.

Oracle, with $4.2bn annual revenues, could probably withstand the occasional "strike". But as Mr Ellison noted, few companies could survive the departure of non-executive and other directors widely predicted in California's high-technology industries.

Meanwhile, Mr Doug Whitting, founder of a Stac, a small software company was pleading at an opposition rally in San Diego for a No vote in November. All his outside directors, valuable sources of experience, had told him they would quit if 211 passed, he said.

Recounting Stac's experience of a strike suit, he said the company had been vindicated after the case had been bounced five times from court to court at a cost of "nearly $2m in legal expenses over four years of management distraction".

Mr Duane Roth, president of Alliance Pharmaceutical, one of San Diego's many small biotechnology companies, said he too had spent $2m fending off a frivolous lawsuit.

Mr Mike Gulett, president of Paradigm Technology, an advanced semiconductor devices maker from San Jose also announced his opposition.

Another target of a pending strike suit, Paradigm, he told the media, had officially joined the coalition of dissent – Taxpayers Against Frivolous Lawsuits (TAFL).

The week's events demonstrate the extraordinary galvanising effect the issue has had on California's thousands of high-tech companies.

President Bill Clinton last month endorsed industry's stance in a nimble about-turn from his previous position on securities laws.

So far, the proposition's supporters, grouped as Citizens for Retirement Protection and Security (CRPS), have maintained a low profile.

But with almost two months before the ballot and an estimated $6m in the CRPS war chest – most, reportedly, given by lawyers – there are resources and time enough for the most cocksure opponents of 211, including Mr Ellison, to become convinced they have a real fight on their hands.

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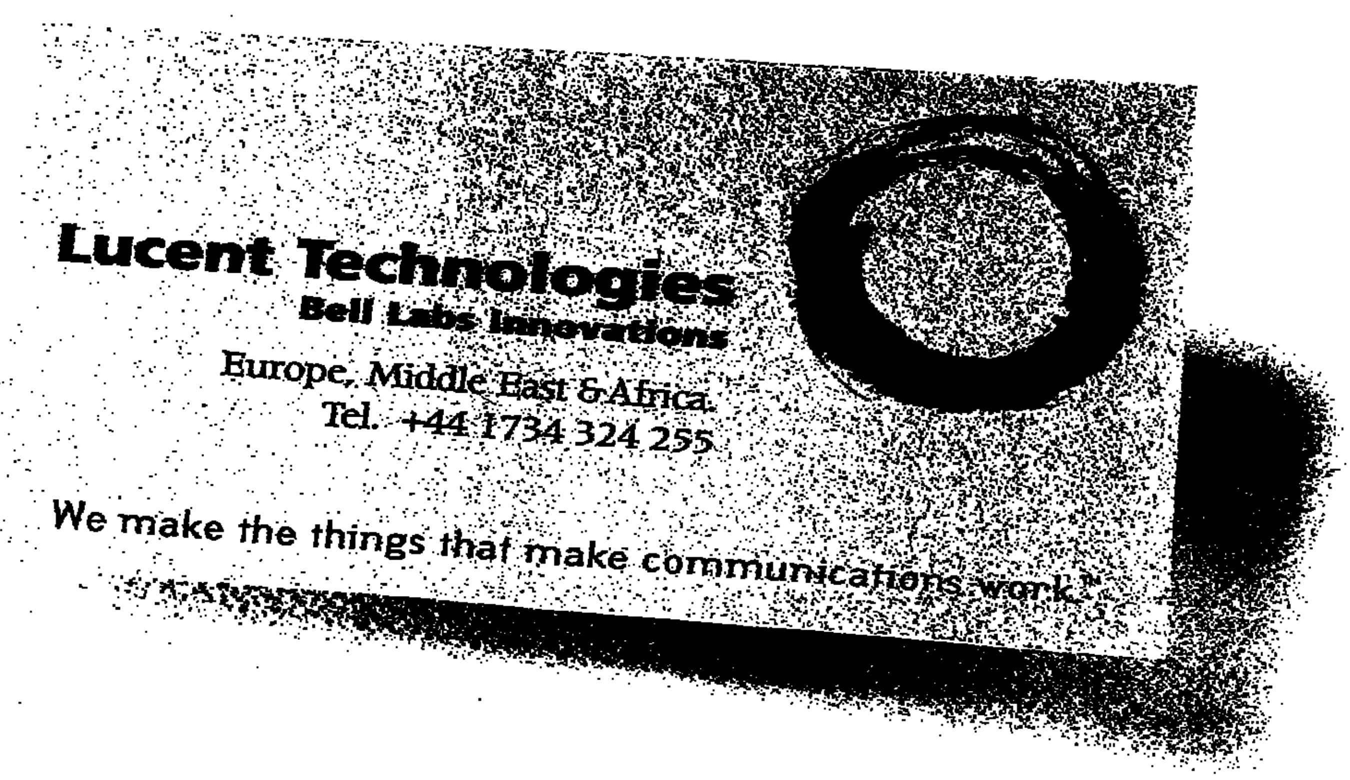


NEWS: INTERNATIONAL

Record lending strains IMF liquidity

By Robert Chote in London and Patti Waldmeir in Washington

Record lending to Mexico and Russia has pushed the International Monetary Fund's liquidity position to its weakest point for five years, according to the organisation's annual report.

The IMF committed about $26bn through stand-by and extended arrangements during the last financial year. This compares to $22bn committed in the previous financial year and $20bn during the height of the debt crisis in 1983-85.

As a result of this heavy use of IMF financing, the ratio between the Fund's uncommitted usable resources and its liquid liabilities declined to just under 90 per cent in April, the lowest figure since 1991. The Fund's liquid resources and its liquidity ratio are both expected to continue declining over the coming months.

The deteriorating liquidity position means the Fund is looking for fresh resources. The Fund hopes that its 181 member countries will agree an increase in their "quotas" – the subscriptions which in effect determine their shareholdings in the institution – but this will have to wait at least until after the US presidential election.

Commenting on the report, Mr Stanley Fischer, the first deputy managing director of the Fund, said he hoped that a quota increase would be agreed in 1997, but that this was not certain.

A group of 33 countries has also agreed in principle to extend a $50bn credit line to the Fund in the event of another Mexico-style financial crisis. It is hoped that this can be ratified at the Fund's annual meeting later this month, but some details remain to be agreed. It is not clear, for example, whether Chile and Hong Kong will sign up, or what institutional structures the scheme will spawn.

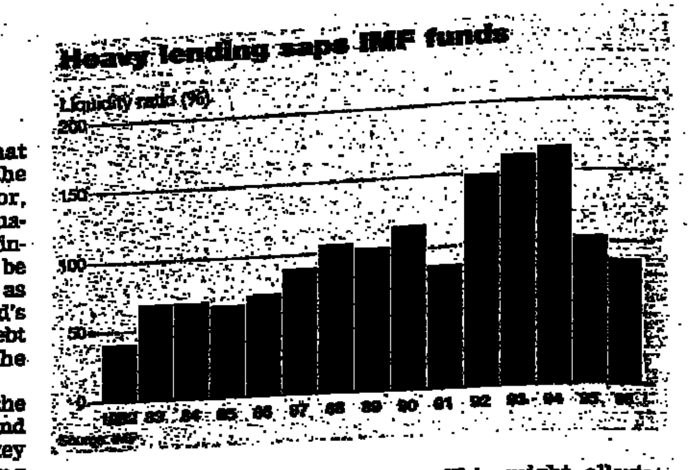
Mr Fischer said it was also "very clear" that the IMF was making progress in reaching agreement on the sale of part of its gold reserves to finance debt relief for poor countries and the placing of its concessional "enhanced structural adjustment facility" (Esaf) on a permanent footing.

In spite of continued German opposition, optimism was was also voiced on Wednesday by Mr Robert Rubin, the US Treasury secretary.

The IMF board will meet today to discuss the issue of gold sales, with any vote on the subject – if one is called – still hanging in the balance.

Officials speculated that Mr Michel Camdessus, the IMF managing director, might try to defuse the situation by arguing that the financing of Esaf need not be agreed at the same time as the financing of the Fund's participation in its joint debt relief initiative with the World Bank.

Mr Philippe Maystadt, the Belgian finance minister and chairman of the IMF's key ministerial policymaking committee, said yesterday that bilateral cash contributions from governments might provide most of the money needed for the debt relief efforts and Esaf extension. This might alleviate some of the urgency for gold sales.



US steps up air power in Gulf

By John Barham in Ankara and Patti Waldmeir in Washington

Iraq and the US were on a collision course again yesterday, with US warplanes moving within striking distance and Baghdad vowing to confront western powers who have patrolled its airspace for the past five years.

"The determination of the United States in dealing with the problem of Iraq should not be underestimated," President Bill Clinton said during campaigning for the presidential election.

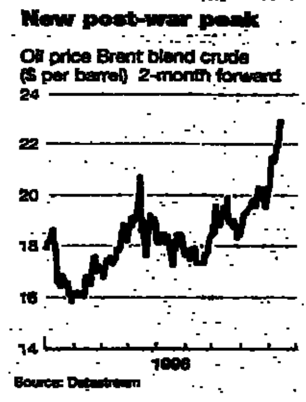
The rising tension, prompted by an Iraqi missile attack on a US aircraft on Wednesday, sent crude oil prices in Asia jumping to the highest level since January 1991, the eve of the Gulf war, when a US-led coalition drove Iraqi President Saddam Hussein's occupation forces from Kuwait.

World benchmark Brent blend crude oil futures traded as high as $24.38 a barrel – up 74 cents on the day. In late trading, October futures stood at $23.75, up about 17 cents on the day.

Stealth fighter planes were en route to the region and expected to be in place tonight.

A further two B-52 aircraft were being moved to the area, in addition to two dispatched on Wednesday.

New post-war peak



"Everybody should understand that the US will take all necessary and appropriate action to protect our forces and protect our interests in that area," Mr William Perry, defence secretary, said.

Although Wednesday's missile missed its target and the F-16 fighter-bomber returned safely to its base in southern Turkey, Washington appeared determined to launch – or at least threaten – a new air offensive against Iraqi targets.

The Pentagon dismissed reports yesterday that Iraq had fired three more missiles at US and allied planes.

The US is assembling a much stronger force than it used last week to hit Iraq with 44 cruise missiles in retaliation for Baghdad's military involvement in northern Iraq, an area out of bounds to Iraqi forces for the last five years.

US officials said Washington had received permission to fly from Kuwait – the only Arab country to openly endorse Washington's missile attacks on Iraq – drawing an angry warning from Mr Tariq Aziz, Iraqi deputy prime minister.

It remained unclear yesterday when any new strike might come, and what facilities would be targeted. US policy makers are eager to choose a response which will permit the White House to salvage what is turning out to be a foreign policy embarrassment.

On Capitol Hill, Republican criticism of White House policy in the region intensified. Mr Newt Gingrich, the House Speaker, said last week's attacks had made the US look "arrogant and impotent".

France, which distanced itself from August's wave of cruise missile attacks, and refused to enforce a widened no-fly zone in southern Iraq, yesterday called on the "partners in operation Provide Comfort to continue to consult on their evaluation of the situation and on their intentions".

Kurdish refugees on the Iranian border. Tehran says 10,000 have fled from Iraq

Canadian Press

Iran pleads for refugee aid

By Kasra Naji in Sayranband on the Iran-Iraq border

In a dusty valley a kilometre inside the Iranian border, north of Sulaimaniya, several thousand Kurdish men, women and children were yesterday preparing to spend a first night as refugees in Iran.

Some men were pegging tents to the ground, others collecting water from a tanker. Dozens queued to receive blankets from the Iranian Red Crescent. The Iranian authorities were also distributing tents and bread. Women with babies sought what shade they could under a blazing sun.

Others were queueing to see an Iraqi doctor who had fled Sulaimaniya with them. Many refugees had spent the three previous days and nights in the open, waiting to be allowed into Iran.

The refugees include many local employees of international aid organisations who felt particularly unsafe in Sulaimaniya. They said they suspected that the ranks of the new Kurdistan Democratic Party (KDP) regime had been infiltrated by Iraqi agents who regard local employees of aid organisations as traitors.

The refugees were among 20,000 Kurds who have already entered Iran through two border points. Iranian officials said tens of thousands more were waiting to enter Iran at several other points along the 400km border.

Mr Iraj Hassanzadeh, the governor of Baneh, the biggest nearby Iranian town, appealed for international assistance, saying Iran urgently needed tents, blankets, foodstuffs and medicines to cope with the refugees.

Iran has been complaining that it has received little international assistance although it has been host to nearly 2m refugees from neighbouring countries over the last few years.

"As of this moment, there has not been any international assistance. The resources we have here in Baneh are quite limited, and if there is no assistance soon, the refugees are going to face a lot of problems," he said.

Most serious of these is the threat of fighting breaking out in the area just inside Iraqi territory. KDP forces were reportedly carrying out mopping-up operations in pursuit of rival PUK guerrillas towards the border.

Eco-label standards attacked by WWF

By Frances Williams in Geneva

The Worldwide Fund for Nature has called on the International Organisation for Standardisation (ISO) to make clear that its environmental management standards are not misconstrued as eco-labels.

In a report* published yesterday the WWF points out that the ISO's 14001 standard on environmental management systems does not assess the environmental impact of a company's products nor the methods used to produce them.

The standard relates only to the systems used within the company to meet its environmental objectives, whatever these happen to be. "Two organisations carrying out similar activities but with different environmental performance may both comply with its requirements", the introduction to ISO 14001 says.

However, the WWF is concerned that Geneva-based ISO, which groups 117 national standards-setting bodies, has no adequate mechanism to control the use of its logos and marks of conformity.

As a result, the WWF says, consumers could easily misinterpret a 14001 environmental management certificate as a "green" seal of approval for that company's goods and services. A planned ISO working group on guidelines for the use of ISO quality marks has yet to meet.

The WWF has been particularly alarmed by moves from the New Zealand and Canadian forestry industries, so far unsuccessful but continuing, to specify how ISO environmental management standards should apply to forestry. It fears the hidden intention is to bypass independent certification schemes for sustainable forest management, notably that run by the Forest Stewardship Council.

ISO, which sets international standards on everything from screw sizes to film sensitivities, has made a comparatively recent foray into the area of environmental management, following the success of its ISO 9000 quality management standards.

ISO inside out: ISO and environmental management, by Pierre Hauselmann. WWF International, CH-1196 Gland, Switzerland, fax +41 22 364 8307.

The Secretary of State hereby gives notice that he intends to grant on 16 September 1996 a licence in the following terms.

INTERIM OPEN GENERAL LICENCE CHEMICAL WEAPONS ACT 1996

This Licence is granted by the Secretary of State, in exercise of the powers conferred by section 20 of the Chemical Weapons Act 1996 (c.6).

1 **Interpretation**

Terms and expressions used in this Licence shall bear the same meanings as they have in the Chemical Weapons Act 1996.

2 **Authorisation**

This Licence authorises any person to:

(a) use any Schedule 1 toxic chemical or precursor for a permitted purpose; and

(b) to produce or have in his possession any Schedule 1 toxic chemical or precursor with the intention that it will be used for a permitted purpose.

3 **Period of Licence**

The Licence shall come into force on 16th September 1996 and shall expire at midnight on 31st December 1996.

The definitive licensing regime under s.20 of the Chemical Weapons Act 1996 will be introduced from 1 January 1997 and will take two forms; an Open General Licence, with reporting requirements, for production, possession and use of up to 5 grammes of Schedule 1 chemicals for research, medical or pharmaceutical purposes, and individual licences covering quantities over 5 grammes. Further details of these arrangements will be available in due course.

For further information please contact John Bidder at the Department of Trade & Industry on 0171 215 8222.

Zeroual finds some takers for talks

Algeria's national conference will be more show than substance

By Roula Khalaf in London

When Algeria's banned Islamic Salvation Front (Fis) was excluded from the 1994 "national conference," nearly all other political parties decided not to turn up. The attempt at national reconciliation after two years of violent struggle between Islamists and security forces ended in miserable failure.

When another "national conference" opens in Algiers tomorrow after almost five years of bloodletting, the Fis will still be excluded. But at least some other parties are expected to show up.

The parties say they will try to discuss ways to end the violence. But they admit that the affair is largely ceremonial. It is designed to ratify the programme of political reform initiated by the army-backed elected president, Mr Liamine Zeroual.

Nearly five years after the army cancelled a second round of general elections which the Fis was poised to win, Algeria is planning new general elections next year. These will take place only after a constitutional amendment and changes to electoral and political party laws which create enough safeguards to prevent any single party from monopolising and exploiting Islam or challenging the state again.

The conference is the culmination of more than four months of talks between the president and political parties. Agreements have already been reached on switching to a proportional representation voting system.

The conference participants will commit themselves to principles of democracy, multi-party politics and the alternation of power. They will also reject violence and the exploitation of religion in politics.

The fact that the two-day conference is being held at all highlights two important developments in Algeria.

First, it shows that since the election of Mr Zeroual last November, the Algerian regime has won over some parties to its side. Chief among them is the National Liberation Front (FLN), the former ruling party that went into opposition after 1992 and insisted that a solution to the Algerian crisis must include the Fis. The FLN, however, has now returned to the government fold after an internal coup brought a member of the old guard back to the leadership. How much grassroots support the new leadership has is anyone's guess, since the party has not held a congress for several years.

Second, it indicates that the president's attempts to push aside Islamist parties is limited to those Islamists with political power to challenge the regime. In fact, Islam features prominently in the platform to be adopted at the conference, reminding Algerians that it had been a main tool of mobilisation in the Algerian war of independence. It is thus not surprising that the two other main parties attending the conference are Hamas and Ennahda, both moderate Islamists.

Meanwhile, parties boycotting the conference include the Berber-based Socialist Forces Front (FFS), which, like some observers, believes the president's political reform aims to create a facade of democracy and to institutionalise an authoritarian system. The smaller Berber-based Rally for Culture and Democracy (RCD), headed by Mr Said Saadi, is boycotting the conference because Berber was not recognised as a national language. Mr Saadi's other reason, however, is that a last-minute change in the platform to be adopted fudged the wording on Islam, leaving ample room for Islamist parties to use religion in politics.

Optimists say that although the conference is not expected to produce any significant accomplishments, at least it keeps the process of dialogue and political reform moving forward, with the hope that the continued contacts can lead to national reconciliation and to the restoration of security. Even the parties boycotting the conference have said that so far they still intend to take part in next year's elections.

Hassan polishes democratic credentials

David White previews a referendum on a new parliamentary system proposed for Morocco

Morocco's main opposition parties have rallied behind plans for a new parliamentary system being put to a referendum vote today.

Broad cross-party backing for the constitutional reform, including from the largest left-wing parties, has brought what one senior official described as "a state of grace" unprecedented in King Hassan II's 35-year reign. But some foreign diplomats in Rabat question whether the changes will really bring a loosening of the reins of royal power.

The referendum will prepare the way for early elections, in principle around April although a date later next year appears more likely. A parliamentary election would otherwise not have been due until 1999. In the absence of any opinion poll evidence, the general expectation is that the parties grouped in the left-wing and nationalist opposition will be clear winners, and be able to form a government.

Three years ago, in Morocco's first general election since 1984, the opposition won the largest number of directly elected seats. But its advantage was cancelled out by indirectly elected members, who occupy a third of the 333 seats in the current single-chamber parliament. The outcome has been a prolonged political stalemate. Two attempts by the king to bring opposition ministers into the government came to nothing.

Under the new system which, after the referendum, needs to be approved by the outgoing parliament, members of the Chamber of Representatives will all be directly elected, and the term cut from six years to five. A new upper house, the Chamber of Councillors, will be created, its members chosen by electoral colleges, mostly representing local councils, and the remainder coming from professional associations and unions.

Under the king's checks-and-balances plan, the upper chamber will be able to initiate legislation, to issue "warning" motions to the government and – by a two-thirds majority vote – to force its resignation. Officials deny, however, that the aim of the new chamber is to neutralise the lower house.

King Hassan: modernising the monarchy to survive

They see the reform as continuing a gradual process of liberalisation. This has already strengthened parliament's role, even though the 67-year-old monarch retains the power to dissolve it, appoint and sack governments, and call referendums. His last overture to the opposition foundered because of his insistence on maintaining Mr Driss Basri, his trusted interior minister, who has held the job for 17 years. While he would nominate a prime minister from the opposition if it beat the current amalgam of centre-right government parties, he would still be in a position to veto individual ministers.

Any challenge to the king's own position or his status as Commander of the Believers remains taboo. The authorities, concerned about the growing influence of Islamist organisations in poor urban areas, are not ready to let them stand as political parties. The largest fundamentalist group, Justice and Charity, whose leader Mr Abdeslam Yassine remains under house arrest, has kept silent on the referendum question.

Observers argue that, with its economic future tied to the European Union and trade barriers set to disappear by 2010, Morocco has little option but to move towards a more western-style system. The king wants the institutional structure solidly installed for when his son, Crown Prince Sidi Mohamed, now 33, succeeds to the throne.

"The monarchy must become more democratic, or it will disappear," says Mr Mohamed El Yazghi, deputy leader of the Socialist Union of Popular Forces (USFP), the largest opposition party, which controls 60 seats.

Three of the four parties making up the opposition Koutla alliance have decided to call for a Yes vote – the USFP, the nationalist Istiqlal party and more recently the former-Communist Progress and Socialism party. This leaves just the far-left Organisation of Democratic and Popular Action (OADP), which at the cost of a split in its own ranks is calling for a boycott.

Faced with less than a month's notice for the referendum and proposals that met some of their demands, opposition leaders found themselves in a bind, risking a loss of credibility if they opposed the reform or campaigned for abstention.

Crucial legislation on electoral procedures and regional devolution is due by the end of the year, backing up the changes in the constitution. The laws are understood to have been already drawn up, although the king has promised consultation with the various parties. The current parliament will then be dissolved, making way for a prolonged election period, with seats on local and regional councils needing to be filled as well as both houses of the new parliament.

But there is no suspense about the outcome of today's plebiscite. In the referendum on the current constitution in 1992, when there were opposition calls for a boycott, official results showed a 97 per cent turnout and a 99.96 per cent Yes vote.

A senior official admitted that this kind of figure would hardly be presentable. But King Hassan clearly expects a good showing. Announcing the referendum last month, he billed today as "the day when, by the will of God, dear people, you will vote Yes".

FINANCIAL TIMES

COMPANIES & MARKETS

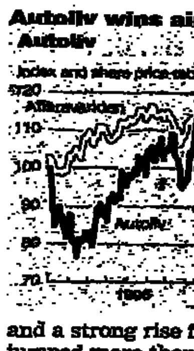
Friday September 13 1996

IN BRIEF

Repsol plans bid for stake in YPF

Repsol, the Spanish oil and gas group, has expressed an interest in becoming an industrial partner of Argentina's YPF by seeking to buy a 10 per cent stake in the energy conglomerate from the government. The stake is worth $758m at the current market price. The prospective Repsol bid could compete with one from Italian energy group Ente Nazionale de Idrocarburi, although Eni has denied plans for such an offer. Mr Carlos Menem, the Argentine president, plans to sell the government's 20 per cent stake in YPF early next year. Page 17

Autoliv wins air bag contract



Shares in Autoliv, the car safety equipment maker, jumped SKr9 to SKr236.50 on the Stockholm Stock Exchange following news that it was to sell air bags to Volkswagen, the German motor giant. Meanwhile the rest of the Stockholm market hit an all-time high, bowled along by positive inflation data and a strong rise for the banks sector which jumped more than 2 per cent. The Affärsvärlden index closed at 2,057.1, up 14.60. World Stock Markets, Page 34

Bail-out arranged for Tokyo bank

Tokyo's credit associations announced a plan to bail out Musashino Shinkin Bank, a debt-laden credit association which called for financial support from the Japanese government earlier this year. The decision is a relief to the finance ministry, which was faced with an embarrassing failure in co-ordinating a rescue for Musashino when another large credit association refused to absorb its ailing counterpart. Page 16

Costs rise at Vienna airport authority

Flughafen Wien, the Vienna airport authority, reported a 5 per cent drop in first-half group net profit as heavy traffic during peak times and the cold winter drove up costs. Net income fell from Sch278m to Sch263m ($24.7m) while turnover climbed 7 per cent from Sch1.79bn to Sch1.92bn, the company said in its first-half report. Page 18

Minorco shrugs off commodity price fall

The weakness of industrial commodity prices left Minorco, the Luxembourg-listed subsidiary of the Anglo American-De Beers group of South Africa, virtually unscathed in the first half. Net earnings before exceptional items, which the company said were the best measure of underlying performance, fell only 5 per cent from the 1995 level, from $210m to $200m. Page 18

Management reshuffle at BZW

Mr Donald Brydon, acting chief executive of BZW, the investment banking arm of Barclays, for the past six months is to leave the UK bank in a management reshuffle implemented by Mr Bill Harrison, the new chief executive. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW Pref	627	+	7
Degussa	529.9	+	3.9
Schmalbach	300	+	6
Falls			
Horten	212.5	-	2.5
Kali & Salz	187	-	2
Lahmeyer	545	-	15
NEW YORK ($)			
Rises			
Diana Corp	45¾	+	3
Duracell Intl	57⅝	+	9½
ITT Hartford	57⅞	+	3½
Falls			
Apria Hlth	24¼	-	1⅛
Coastcast	17⅛	-	1
Elan Corp	30⅝	-	1⅛
LONDON (Pence)			
Rises			
Bodycote	600	+	46½
Courts	617½	+	32½
Devlin Burnss	856	+	55
Prism Rail	375	+	55
Falls			
Capital Corp	195	-	20½
Usher (Frank)	179½	-	27½
TORONTO (C$)			
Rises			
Fairfax Fin	265.0	+	15.0
Lindsay Mich	10.0	+	1.5
Morrison Mdle	18.25	+	1.25
Falls			
Crown Res	8.0	-	1.4
Moosalt Tech	21.25	-	0.7
Trimac	12.3	-	1.05

PARIS (FFr)			
Rises			
Accor	650	+	18
Air Liquide	897	+	12
Credit Local	454	+	12.8
Legrand	858	+	39
Falls			
Fonc Lyon	585	-	11
Geophysique	339	-	14
TOKYO (Yen)			
Rises			
Gen Sekiyu	815	+	24
Shionogi	920	+	33
Falls			
Itoham Foods	802	-	22
M'shita Ring	763	-	24
Oki Elec	691	-	17
Penta Ocean	622	-	23
HONG KONG (HK$)			
Rises			
Dickson Cncpt	8.35	+	0.4
HK Ferry	11.0	+	0.5
Termbray Ind	22.2	+	0.9
Falls			
China HK Pete	2.9	-	0.2
Island Dyeing	7.2	-	0.15
Sime Darby HK	8.25	-	0.25
BANGKOK (Baht)			
Rises			
Alphatec Elec	260.0	+	22.0
Samart Tlcms	78.5	+	7.0
Union Asia	72.0	+	6.5
Falls			
City Sports	41.5	-	4.5
Sumceed Inds	17.75	-	1.75
Thai Poly	81.5	-	6.5

New York and Toronto prices at 12.30pm.

Metra forges diesel engine venture

By Peter Marsh in London

Metra, the Finnish industrial group, is merging its engine-building operations with those of Fincantieri Cantieri Navali Italiani, the state-owned Italian shipyard, to create the world's biggest maker of high-power diesel engines for ship-building and electricity production.

The new group, in which Metra will have an 85 per cent stake, will have annual sales of about $2.4bn and account for around 10 per cent of the world market in making engines of this type, ahead of MAN of Germany.

Roughly half the company's sales will be in south-east Asia, reflecting the region's rapid growth in shipbuilding and strong demand for new sources of energy, particularly in rural areas.

The as yet unnamed company will employ nearly 9,100 in factories in nine countries including the US and India.

Mr Georg Ehrnrooth, chief executive of Metra and chairman of the venture, said the grouping would lead to efficiencies in developing new engines and making parts. He promised a "significant" flow of ideas between the different parts of the venture "to provide a better service to customers".

The dominant force in the new organisation, which has to be ratified by European Union competition regulators, will be Wartsila, the Metra-owned diesel engine company which accounts for more than half of Metra's sales.

Last year Wartsila signed a technology-sharing agreement with Cummins, a US maker of diesel engines, to develop a series of big engines for electricity generation.

Through yesterday's venture, Metra, which is known mainly for its heavy-duty engines for power generation, will gain access to Fincantieri's expertise in two-stroke, low-speed marine engines for use in large ships. Such engines, which can cost up to $50m, are mainly made under licence from engine companies in shipyards.

Mr Corrado Antonini, chairman of Fincantieri, which will own the remaining 15 per cent of the new entity, said Metra would provide a "strong partner" and leave his company to concentrate most of its energies on building ships.

New Sulzer Diesel, a specialist builder of marine engines owned jointly by Fincantieri and Bremer Vulkan, the bankrupt German shipyard, is also becoming part of the group.

New Sulzer, formerly part of the Swiss engineering company Sulzer, has since 1990 been partly owned by Fincantieri.

Under yesterday's deal, Bremer Vulkan's share of New Sulzer's assets are being transferred to the Italian company so they can form part of the new grouping.

As part of the deal, the new group will take over full ownership of Diesel Ricerche, an engine subsidiary of Fincantieri, and have a 40 per cent stake in Grandi Motori, another engine maker controlled by the Italian company.

Metra is also paying Fincantieri an unspecified cash sum to compensate it for the transfer of shareholding.

Fergus Wilde

Georg Ehrnrooth (left), chief executive of Metra, will head the new venture with Fincantieri, chaired by Corrado Antonini

BNP lifts profits 80% on higher revenues

By Andrew Jack in Paris

Rising revenues and lower provisions helped lift net profits at Banque Nationale de Paris, the French banking group, nearly 80 per cent to FFr1.7bn ($330m) for the first half of the year.

Mr Michel Pébereau, chairman, said there was a clear move towards more positive growth in profits and net banking revenues over the past few months. This followed two years of decline. He predicted an increase in income for the full year.

Mr Jim Hyde, analyst at Williams de Broe, the broker, said he was raising his profit forecast for BNP to FFr3.05bn from FFr2.5bn for 1996 following the results, which he said hinted at a "sustained recovery".

Mr Pébereau attributed the increase in profits – from FFr966m in the first six months of last year – to an upturn in revenues, continued control over operating expenses and improved risk management.

Net banking income rose 5 per cent to FFr19.2bn during the period, largely from BNP's domestic banking and international banking and finance divisions, while operating expenses rose just 1 per cent to FFr14.1bn, boosting operating income by 17 per cent to FFr5.1bn.

However, the group said the overall health of the domestic banking sector remained gloomy, with hesitant economic growth, sluggish demand for credit and increasing pressure on margins between the banks. He blamed margin pressure on competitive distortions.

Demand for French loans fell 2.2 per cent compared with the first half last year, almost identical figures for corporate and household clients, while deposits rose 9.1 per cent. Its global intermediation margin fell from 4.09 per cent to 3.99 per cent.

There was a 13 per cent decline in new provisions for doubtful loans to FFr2.5bn, and the rate of cover on specific risks rose from 60 per cent at the end of last year to 63 per cent, including 65 per cent for domestic risks. BNP's loans to the professional property sector stand at FFr13bn, including doubtful loans of FFr6.7bn, which are provisioned at 69 per cent.

Mr Pébereau said its strategy for domestic banking would include defending its margins, improving the quality of risks on its lending, and providing innovative client services including a growing role for telephone and electronic banking.

BNP also said yesterday that Mr Daniel Lebègue, chief operating officer, would become deputy chairman in place of Mr Jacques Wahl, who is stepping down shortly, but who would continue to advise the chairman and have a special role for ethics policies.

Gillette takes over Duracell for $7bn

By Richard Waters in New York

Gillette, the US maker of razors and toiletries, yesterday unveiled an assault on the world's consumer battery markets as it announced a $7bn takeover of Duracell.

The company, which has been one of the fastest-growing consumer goods concerns of the past decade, said the presence of its large sales force around the world would help lift Duracell's sales sharply, reinforcing that company's position as the biggest maker of alkaline batteries.

These batteries, which last longer than traditional zinc carbon ones, have already won the fight for consumers in the US, where they are estimated to account for about 85 per cent of all battery sales. Alkaline batteries account for only about half of consumer battery sales in Europe, however, and 15 per cent of sales elsewhere.

The all-stock acquisition follows both a slump in Duracell's stock in recent months and a strong run-up in Gillette's shares, which have left the razor company with a powerful tool with which to mount acquisitions. The offer, of 0.904 of a Gillette share for each Duracell share, lifted the latter's shares $9¾, to $58⅜ in early trading. Gillette's own shares were trading yesterday at $65⅞, a $¾ rise.

Mr Alfred Zeien, Gillette's chairman and chief executive, said the acquisition would give his company another strong consumer product to sell in the faster-growing markets outside the US. Like razors, batteries are "among the most homogenous of all consumer durables", he said.

Some 45 per cent of Duracell's $2bn sales last year came from outside the US. By contrast, Gillette generated 70 per cent of its $6.8bn sales last year in international markets.

Combining the two companies would yield savings of between $80m-$120m a year by 1999, Gillette said.

The countries likely to see the biggest push are those where Gillette has a strong presence but Duracell's sales are low, Mr Zeien indicated. In large consumer markets such as Germany and Japan, along with smaller ones such as Columbia, Korea and Turkey, Gillette's sales are more than 10 times those of Duracell.

The deal will make Kohlberg Kravis Roberts, the investment firm, Gillette's second-largest shareholder, behind Mr Warren Buffett, the Omaha-based investor.

KKR bought the battery maker for $2bn in 1988 and still owns one-third of its stock. Following the acquisition, it will hold around 6.8 per cent of Gillette's stock, compared with the 9 per cent Mr Buffett's Berkshire Hathaway will own. Gillette said it would issue 108m new shares in the transaction, adding to the existing 446m.

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KKR makes amends, Page 17

British Gas closes in on reshaped contracts

By Patrick Harverson in London

British Gas said yesterday it hoped to clinch the renegotiation of some of its high-cost take-or-pay gas contracts with North Sea producers soon.

The group believes that if it can strike a deal with a handful of producers over the loss-making contracts – which contributed to the fall in first-half historic-cost profits to £565m ($881m) from £635m – other producers might follow suit.

Mr Richard Giordano, British Gas chairman, revealed at the publication of the interim results yesterday that the group was talking seriously to two or three producers. "I think we'll conclude some of these [deals] quickly because they could show the way to others," he said.

British Gas is locked into £40bn worth of long-term contracts that require it to pay North Sea producers for gas at prices well above current market rates, even if it no longer has buyers for the gas.

The group is trying to renegotiate the contracts – which could cost it as much as £400m in losses this year – but the producers are reluctant to compromise. Mr Giordano warned it could take "a year or two" to reach an agreement on every contract.

Losses in the industrial and commercial business increased from £50m to £180m in the first half because of the continued deficit on the take-or-pay contracts and intense competition among gas suppliers. Mr Giordano said competition had pushed prices to "catastrophically low" levels.

Although the cold winter lifted group turnover to £5.13bn, against £4.81bn, and operating profits rose slightly to £1bn from £994m, losses in the industrial and commercial markets, increased costs from competition in the residential business, and restructuring and other costs more than offset the impact of the favourable weather.

Profits at TransCo, the pipeline arm, rose from £745m to £806m. Losses at the group's trading arm increased almost sixfold to £87m.

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BTR takes £622m charges for restructuring

By Ross Tieman in London

BTR, one of Britain's largest industrial conglomerates, yesterday unveiled a global restructuring and disposal programme requiring charges totalling £622m ($970m).

As a result, the group's first-half profits plunged to a nominal £4m on turnover of £4.95bn and the dividend was slashed by more than a third.

Mr Ian Strachan, the chief executive who took charge in January, said the aim was to shed low-growth businesses and enhance the capacity of the group to expand its core engineering and manufacturing businesses organically and by acquisition.

The reorganisation had been widely expected. The group said money from asset sales was needed for investment to build its core businesses.

Mr Strachan said the reshaping marked the start of a new era for BTR. "Divesting low-performance businesses, which represent a quarter of 1995's sales, will remove a significant drag on corporate performance," he said.

BTR has earmarked 37 companies, with sales totalling almost £890m, for disposal. These will complete a programme of divestments which was launched in January and which has already realised £1.08bn, including proceeds from the sale of its Electric Power Group to FKI, announced yesterday, for £185.2m.

The restructuring includes provisions of £349m for the reorganisation of ongoing businesses. Nearly half of the costs are expected to be incurred in continental Europe.

Ian Strachan: 'new era'

For more than 30 years BTR was one of Britain's most voracious conglomerates, focusing on cost-cutting and manufacturing efficiency in its acquisitions to maximise profit margins.

Mr Strachan said that henceforth the company would concentrate on raising sales and maximising its return on capital in businesses where it could be a market leader.

The company's 32 business groups are being reorganised into four areas where BTR wields global clout – automotive components, power drives, process control equipment and packaging and materials – and three others where it has less strength, such as specialist engineering, building products and polymer products. In 1995 these businesses had combined annual sales of £6.96bn.

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COMPANIES AND FINANCE: ASIA-PACIFIC

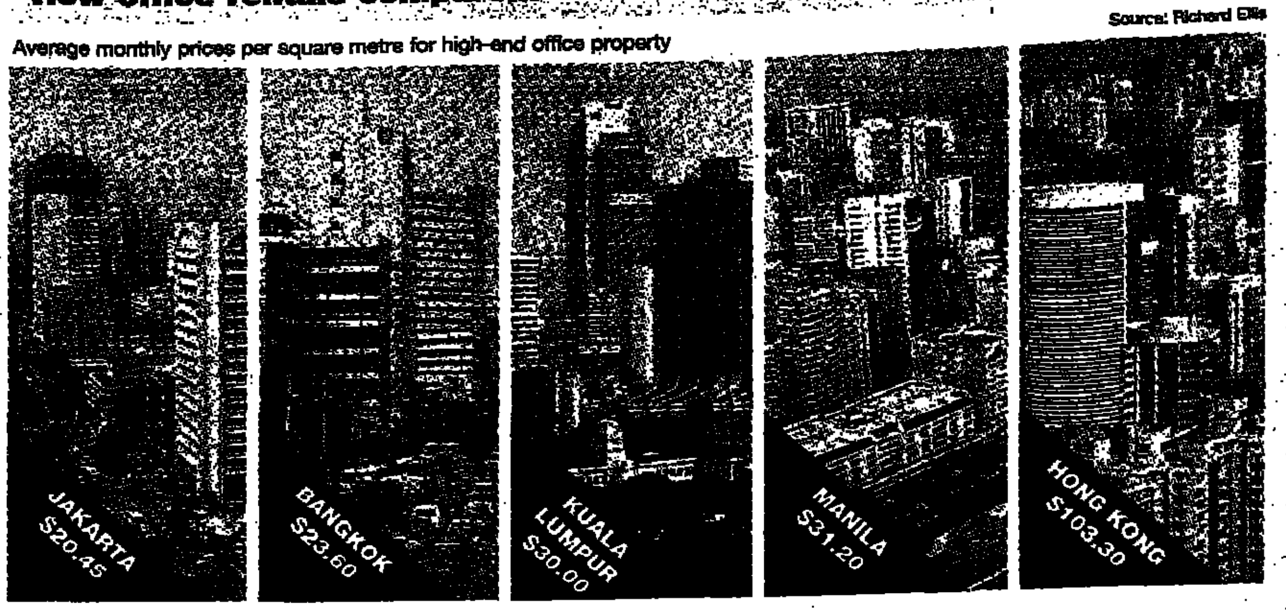
Developer boards flight to quality

Manila real estate group expects to benefit from downturn

How office rentals compare...

Average monthly prices per square metre for high-end office property

Source: Richard Ellis



Fort Bonifacio Development Corporation (FBDC), owner of the Philippines' largest real estate project and one of the biggest in Asia, reckons it has found a way to benefit from Manila's widely expected property downturn. The correction, which, after four years of breakneck growth in real estate prices, is considered inevitable within the next two years, will trigger a "flight to quality", say FBDC executives.

With plans for the 240ha Bonifacio "city within a city" to start gracing Manila's skyline by 1998 this is a bold proposition. The Bonifacio site, adjacent to Makati, the capital's premier business district which has seen high-end property prices triple in the last two years and could well see a strong downturn by 1998, is a cut above its rivals, says Mr Ricardo Pascua, CEO of FBDC.

Unlike Makati – its chief rival – Bonifacio will have wide streets, underground subways, the capital's main railway terminal and a ban on pollutive jeepney buses and motorised tricycles. It will also benefit from modern urban planning (overseen by Bovis, the UK company), green spaces, regulated traffic and a first class golf course.

"This is a 30-year development project to build a city," said Mr Pascua. "We would be foolish not to expect at least three or four cyclical downturns over that period. But we are confident that, as Manila's first planned quality business district, we will be able to attract clients at any time."

FBDC, a joint partnership between the government and a private sector consortium led by Metro Pacific, the Philippine arm of Hong Kong-based First Pacific, points out that it recently pre-sold an initial 16ha lot within four days of putting it on the market. The price – 180,000 pesos a sq m on average – was more than five times what the consortium paid for the site in February 1995.

Some of the buyers, including Metro Pacific, which is putting up a twin tower condominium unit, have in turn pre-sold most of the 300sq m apartments at a cost of around US$1m apiece a full three years before the project will actually come on stream. In classic "boomtown" fashion, both the FBDC – as the horizontal developer – and its clients – as the vertical developers – will then use the proceeds from the "pre-sale" to cover their development costs.

Is this long-term planning? Or are the FBDC and its partners wandering into the same highly-leveraged trap as brokers claim some of its rivals are doing elsewhere in Manila?

"Fort Bonifacio has to be very careful not to get over excited and pre-sell too much," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila. "Basically, Manila is now at the peak of its property cycle and a downturn will come at some stage. FBDC would be wise to release parcels gradually and at a strategic pace. It is after all a 30-year project."

Another way of looking at it, say brokers, is to calculate how much high-quality space is in the pipeline elsewhere in Manila and measure that against projected demand. According to Richard Ellis, the UK property group, there are about 2,000 condominium units in Manila worth US$1m or more. Another 2,000 are due to come onto the market within the next three years of which about half will be in Fort Bonifacio. The question is whether the demand will materialise.

"About 40 to 50 expatriate families are coming to Manila every month," said Mr Marc Townsend, head of the Richard Ellis office in Manila. "At the same time, the Philippine middle class is expanding quite rapidly. It would be reasonable to assume that there is enough demand to accommodate all the new supply for at least two years."

Another delicate mathematical exercise is when to list Bonifacio on the Philippine Stock Exchange – as FBDC executives have pledged to do at some stage. The initial public offering, which would release at least 10 per cent of the consortium's equity amounting to a minimum of 8bn pesos ($305m) would probably be the largest in the PSE's history.

Should the property index, which has risen from a 20 per cent to a 35 per cent share of the PSE composite since January 1995, be heading for a downturn by early 1998, the Bonifacio listing would be a risky proposition. But the consortium, which paid a record 39bn pesos for the site when it was privatised last year, needs to raise capital for its extensive infrastructure costs.

"I would say the chances of an IPO are quite high within the next 12 months or so," said Mr Pascua. "We are also looking at overseas convertible bond issues and of course we are raising capital [about 28bn pesos so far] from receivables on pre-sales." With projects such as Canary Wharf in London or similar developments in Bangkok and Kuala Lumpur to judge by, it would be a bold investment bank which underwrote such a listing. But, who knows, it could be a clever one too.

Edward Luce

Tokyo credit associations to bail out troubled shinkin

By Emiko Terazono in Tokyo

Tokyo's credit associations yesterday announced a plan to bail out Musashino Shinkin Bank, a debt-laden credit association which called for financial support from the Japanese government earlier this year.

The decision is a relief to the finance ministry, which was faced with embarrassing failure in co-ordinating a rescue for Musashino when Johnan Shinkin Bank, a large credit association, refused to absorb its ailing counterpart.

Although the problems at Musashino were not a threat to the country's financial system, the ministry of finance's failure to carry through its initial plan threatened its authority at a time when bad loan problems at an increasing number of smaller financial institutions were surfacing.

Oji Shinkin Bank, a credit association based in Tokyo, said it would take over Musashino, which has loans of Y57.6bn ($522m) of which Y29bn had turned bad.

Several other shinkin banks based in Tokyo will take over some of Musashino's branches and staff, while the Zenshinren – the national association of shinkin banks – and the Tokyo Association of Shinkin Banks will co-operate in collecting the loans Musashino has deemed uncollectible.

Unlike the bail-outs for the credit unions which collapsed last year, the credit associations will not turn to the Deposit Insurance Corporation, but will use Y25bn of contributions from the shinkin industry to absorb the losses.

Earlier this year, Johnan had agreed to absorb Musashino as long as other shinkin banks would agree to contribute to the loan collection.

However, other shinkin banks had failed to produce an all-out commitment to support the rescue.

Deposits at Musashino, which totalled Y61.6bn at the end of August, have been flowing out since the start of this week, when reports of the bank's troubles appeared in the media.

The finance ministry yesterday praised the shinkin banks' efforts to protect Musashino depositors and maintain financial order.

Resolute triples profit at year-end

By Nikki Tait in Sydney

Resolute Samantha, the expansion-minded Australian goldmining company, yesterday announced an after-tax profit of A$33.6m (US$26.5m) in the year to end-June, compared with A$11.1m in the previous twelve months.

Attributable gold production reached 241,806 ounces, more than twice the previous year's level, at a cash cost of A$352 per ounce. Sales doubled to A$156.7m.

The company said it expected its Obotan gold project in Ghana to be commissioned by the June quarter of 1997, with the Golden Pride project in Tanzania coming on stream by early 1998. "Resolute Samantha's additional equity share of production from these projects is expected to be 190,000 ounces per annum at an estimated cash cost of less than A$275 per ounce," it said.

The company also said it was increasing its exploration budget for the current financial year to A$18m, with over 85 per cent allocated to Australian projects.

● AWA, the Australian electronics group, is to sell its AWA Centre unit – which takes in various rural communication, aerospace and traffic interests – to a joint venture company led by Plessey (South Africa) for A$25m cash.

AWA also announced a A$14.3m loss in the year to end-June, compared with last time's A$22.2m deficit. Abnormals were A$18.9m, down from A$31.6m.

COMPANIES AND FINANCE: THE AMERICAS

Repsol enters bidding contest for YPF stake

By Tom Burns in Madrid and David Pilling in Buenos Aires

Repsol, the Spanish oil and gas group, has expressed an interest in becoming a long-term industrial partner of Argentina's YPF by seeking to buy a 10 per cent stake in the energy conglomerate from the government. The stake is worth some $753m at the current market price.

The prospective Repsol bid could compete with one from Italian energy group Ente Nazionale de Idrocarburi (Eni), although Eni has denied plans for such an offer. Argentine president Mr Carlos Menen plans to sell the government's 20 per cent stake in YPF early next year, with half being offered to an industrial buyer. He met Mr Alfonso Cortina, chairman of Repsol, this week in Buenos Aires and, separately, Mr Gugliemo Moscato, Eni chairman.

Repsol's bid for the YPF stake would form part of what Mr Cortina said were the group's plans to invest $2bn in oil and gas projects in Argentina and the rest of Latin America, especially Venezuela, over the next five years.

Repsol is also believed to be interested in the huge and slowly liberalising Brazilian energy market.

Repsol's bid could be complicated by plans by the Spanish government to sell the 10 per cent stake it owns in the company. This disposal is tentatively planned for the first quarter of next year, when the Argentine government is expected to offer its stake in YPF.

Should Repsol avoid a clash in disposal dates it could still face the hurdle of a high price for YPF, given the prospect of strong competing bids. The Spanish conglomerate believes it is in a good position, however, as a result of its aggressive strategy in Latin America, particularly Argentina, although it has never undertaken such a large acquisition.

In July, the Spanish conglomerate paid $960m for a controlling 37.7 stake in Astra, Argentina's fifth-biggest energy group, which had attracted the interest of other oil groups including YPF, and Texaco and Mobil of the US. Analysts judged the Astra purchase price as expensive, but Mr Cortina said it would provide a "platform for our development in Mercosur and in South America".

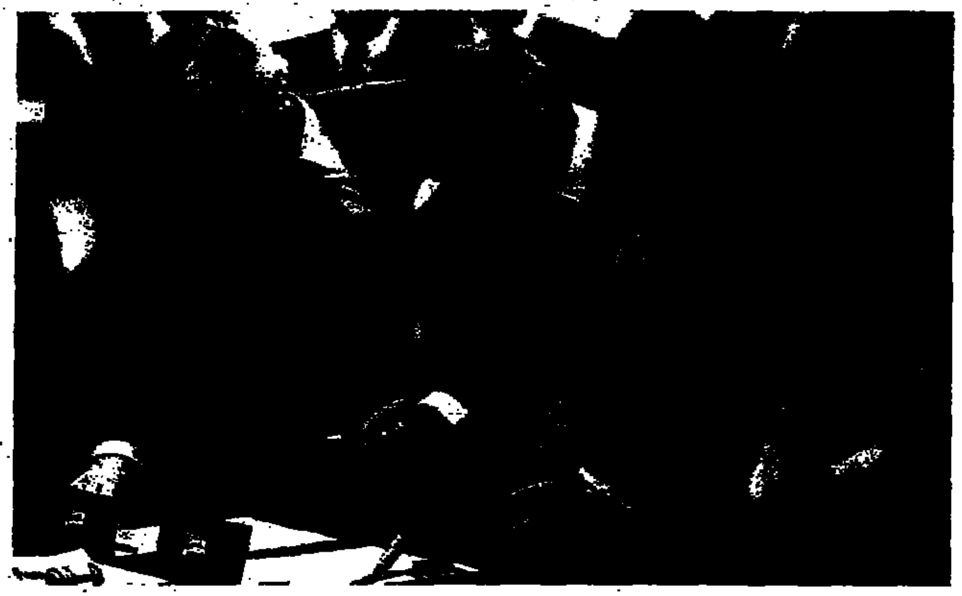
In July, Repsol headed a consortium that paid $180.5m for 60 per cent of Peru's largest refinery, La Pampilla, on the coast north of Lima. Repsol, which will operate La Pampilla, has a controlling stake in the consortium and its bid was partnered by YPF and Mobil.

To underline its commitment to the development of YPF, Repsol plans to channel its bid through Astra, and to explore further partnerships with YPF along the lines of its investment in Peru.

Repsol has drilling rights in Mexico, Colombia and Venezuela. Mr Alfonso Cortina, who was appointed Repsol chairman shortly after the Astra and La Pampilla acquisitions, has said Latin America continued to be a priority expansion area for the Spanish group's downstream business.

KKR makes amends for RJR fiasco

Disposals have helped the firm raise its biggest fund since the wild days of LBO fever



Picture: RJR Nabisco

Hard act to follow: George Roberts (left) and Henry Kravis signing the RJR Nabisco deal

History may yet look kindly on the fortunes of what, to date, has been the biggest leveraged buy-out fund ever assembled. And for Kohlberg Kravis Roberts, the New York investment firm behind the fund, that should come as something of a relief.

The $5.6bn raised nine years ago for KKR's sixth investment fund marked the high-water mark of 1980s LBO fever. It was this fund that backed the $26bn buy-out of RJR Nabisco – an acquisition that, in retrospect, turned out to be one of the worst investments ever made by the firm.

A succession of big disposals in recent months, however, has lifted the fortunes of the 1987 fund to a level which could put its returns nearly on a par with those other big private equity funds in recent years. Those disposals include an agreement, announced yesterday, to swap the fund's remaining stake in Duracell, the battery maker, for $2bn worth of stock in Gillette.

And with KKR now putting the finishing touches on another vast private investment fund, the spate of successful disposals could not have come at a better time. The firm has been canvassing investors for some months, and is believed to be close to completing a fund of $4bn-$5bn – after its 1987 vehicle, the biggest.

As recently as the end of last year, it was far from clear that things would turn out as well.

At that stage, the compounded annual return in the fund (including unrealised investment gains) was running at around 12 per cent, says Mr Chuck Hunter, a representative of the Montana Board of Investments, one of the 1987 investors. Add in recent gains, such as those from the Duracell deal, the return could yet reach an annualised 15 per cent, he estimates.

That is well below the returns generated by KKR's earlier, far smaller funds. But, says Mr Hunter: "In a sense, how disappointed can you be [with a 15 per cent compound return]?"

Underlying the turnround in the fund's fortunes have been the US stock market's strong rise since the beginning of last year, and the return to fashion of giant takeovers and mergers. Duracell, the subject of a highly-leveraged, $5-a-share buy-out in 1988, was returned to the stock market by KKR in 1991. Yesterday, KKR's remaining 34 per cent stake was valued at $52⅜ a share.

Other recent takeovers to benefit KKR investors include Wells Fargo's acquisition of First Interstate, a rival California bank in which the firm invested $230m in 1988. The takeover put a value of $1bn on the stake. Also, the firm agreed last month to sell American Re, a company it bought in 1992, to Munich Re for $2.5bn. In March, it sold Stop & Shop, a grocery chain, to Royal Hold, a Dutch company, for $1.8bn: the investment cost $100m.

KKR has also taken advantage of recent high stock market ratings to reduce its stakes in a number of companies, including Duracell, AutoZone and Safeway.

Had it not been for the RJR Nabisco deal, investments such as these would have helped the fund to an annual return as high as 25 per cent, says Mr Hunter. That $3bn investment, though, hangs heavily over the fund's record. KKR disposed of its final stake in the company last year for little more than it had paid.

With another fund close to completion, the question for KKR now will be where will the next giant acquisitions come from, and how it can avoid another RJR.

For now, at least, the mergers and acquisitions landscape is proving hostile for buy-out firms. Companies with highly valued stocks have seized the upper hand in the acquisition game – as shown by Gillette's all-stock purchase of Duracell yesterday. KKR itself was outbid in the $4bn auction of Aetna's property/casualty insurance business earlier this year, and on Wednesday called off its planned $2.4bn acquisition of Xerox's insurance operations.

Richard Waters

Federal approval for Time Warner

By Lisa Bransten in New York

The Federal Trade Commission yesterday granted initial approval to an agreement that will allow the completion of Time Warner's $7.5bn acquisition of rival media group Turner Broadcasting.

Commissioners voted three to two to accept a settlement with Time Warner that restructures the acquisition to reduce the possibility of the deal restricting competition in the cable television industry.

Time Warner and Tele-Communications (TCI) – which holds a stake in Time Warner – are the two largest cable operators in the US, and Turner is among the largest cable programmers.

After a 60-day period for public comment on the plan, the commission will vote to grant final approval – and then the merger must be agreed by the companies.

Under the terms of the agreement, TCI will spin off its 9 per cent stake in Time Warner into a separate company owned by shareholders in TCI's Liberty Media unit. Time Warner will also have to carry a rival to Turner's CNN. A contract granting TCI discounted rates for CNN was dropped.

VLSI chip may cut receiver cost

By Raymond Snoddy

VLSI Technology, the California microprocessor manufacturer, has designed new integrated chips which it believes can help drive down the cost of digital satellite receivers to $199 within the next 12 months.

The approach could be important in opening up a mass market for digital satellite, and with it the possibility of hundreds of television channels.

Decoders capable of receiving DirecTV's 175 channels in the US have already been sold at some discount stores for as little as $199 – but VLSI believes these are loss-leaders and that the true retail cost is still closer to $350m-$400m.

Consumer products such as satellite decoders and video recorders have proved price-sensitive. Experience shows that such equipment does not take off as a mass-market product until the retail price drops to $300.

As much as a quarter of the cost of a digital satellite decoder is made up of the complex microchips involved.

VLSI has moved to a more intensive level of integration, with the basic functions of the digital decoder now dealt with by just three main microchips.

"By this time next year the price will have reached $200," Mr Paul Vroomen, VLSI vice-president, said.

The San Jose chip company believes it will be able to provide a digital set-top box based on a single chip within 18 months – if that is what the market wants.

The VLSI approach to chip integration for digital satellite has been supported by DirecTV, part of Hughes Electronics, and by Canal Plus, the French pay-television company.

Other manufacturers are believed to be going down similar routes in the hope of reducing the cost of equipment through increased integration in microchip design.

In the UK, BSkyB plans to launch more than 200 channels of digital television by the end of next year. In France, Canal Plus has already launched a digital service, as has Kirch in Germany.

● NetHold, the pay-TV group about to merge its European interests with Canal Plus yesterday announced it had signed an agreement with Hyundai Electronics America to manufacture digital receiver decoders for supply by the end of this year. Under the agreement, the Hyundai US operation will be able to supply up to 60,000 set-top boxes a month for the regions where NetHold has, or is about to launch, digital television.

Minorco shrugs off fall in commodity prices

By Kenneth Gooding, Mining Correspondent

The weakness of industrial commodity prices left Minorco, the Luxembourg listed subsidiary of the Anglo American-De Beers group of South Africa, virtually unscathed in the first half.

Net earnings before exceptional items, which the company insists is the best measure of its underlying performance, fell only 5 per cent from the 1995 level, from $210m to $200m.

Mr Julian Ogilvie Thompson, chairman, said: "Minorco's expansion programmes and product diversity have allowed it almost to match the record level of earnings achieved [last time]."

He said the impact of weaker copper prices would be felt in the second half, although hedging programmes would give some protection then and throughout 1997.

"The volume growth achieved in our business during the first half will also partly provide protection against any continuation of commodity price weakness."

Mr Ogilvie Thompson said the operating performance of Minorco's business segments in the first half was "generally excellent". Sales increased from $3.42bn to $3.77bn. Operating earnings fell from $355m to $342m and earnings before tax, exceptional items and minority interests fell from $425 to $362m.

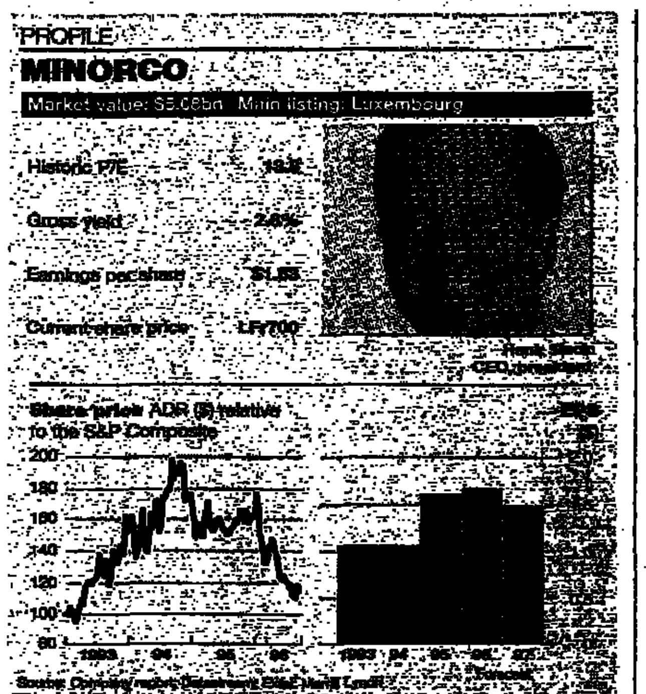
There was a $117m net gain after tax from investment disposals. Net earnings per share increased from 94 cents to $1.41.

Mr Hank Slack, chief executive, said Minorco had been disposing of non-core assets and received very good prices from the sale of stakes in Normandy of Australia, Johnson Matthey of the UK and Santa Fe Energy Resources of the US.

In June the US Securities and Exchange Commission confirmed that it viewed Minorco as an operating group – rather than an investment company – and this would allow it into US capital markets. However, Mr Slack said Minorco had no plans to use the facility.

He said Minorco would be among those companies interested in taking a stake in CVRD, the Brazilian group that is the western world's biggest iron ore producer, when it is privatised next year.

Minorco's Terra agribusiness subsidiary in the US suffered in the half year as methanol prices fell from last year's exceptional levels. Its contribution fell 23 per cent to $208m. Gold interests earned $20m, from $17m last time, and attributable production was 24 per cent higher at 340,100 troy ounces.



Portuguese bank to raise Es19.5bn

By Peter Wise in Lisbon

Banco Mello Comercial, Portugal's sixth-largest bank, is to increase its capital by Es19.5bn ($126m) this year in order to establish a basis for expansion.

It will issue 11m new shares at Es1,250 each, the same price that the Portuguese entrepreneur, Mr José de Mello, paid in May 1995 to acquire the bank, which was then called Uniao de Bancos Portugueses.

The shares closed at Es1,225 yesterday.

A 12-for-one rights issue of 3.5m shares at Es1,200 each is to be made at the same time. A further 1.5m shares will be reserved for employees at Es1,150 each.

The issue of 16m shares at a nominal value of Es1,000 will increase BMC's share capital from Es42bn to Es58bn. The bank raised Es15bn from a capital increase, also made at Es1,250 a share, and issued Es6bn in bonds last May.

Mr Vasco de Mello, the bank president, said that the new capital increase was designed to create a wider dispersal and greater liquidity for the bank's shares. It would also provide a foundation for growth and improved profitability, he said. BMC made a net profit of Es154m in the first half of 1996, reversing a loss of Es1.5bn in the same period last year.

Banco Mello de Investimentos and Banco Mello Imobiliário were consolidated into the BMC group for the first time this year, but BMC accomplished a turnround in its own right, leading the group to forecast a modest full-year profit for 1996.

Earlier this year, the group completed a sweeping reorganisation, renaming and creating new brand images for its retail, investment and mortgage banking arms and rationalising back-office and other operations.

NEWS DIGEST

Ericsson and Saab in joint venture

Ericsson, the Swedish telecommunications group, and Saab, the aircraft company, are to combine their military aviation electronics operations in a joint venture – Ericsson Saab Avionics – with projected annual turnover of SKr800m ($120m). The new company will concentrate on electronic warfare, display and surveillance systems, electronics and electromagnetic systems. A key outlet for its products is the JAS 39 Gripen fighter aircraft made by Saab in which British Aerospace has an interest, principally helping to find export orders.

The venture allows Ericsson to focus on its core telecoms business and strengthens Saab's and Sweden's strategic defence industry. Saab, independent since the demerger of Saab-Scania last year, is struggling to overcome weak sales in both its military and civilian aircraft operations. *Hugh Carnegy, Stockholm*

No new stocks for Easdaq

There will be no new companies trading on the Easdaq stock market when the pan-European exchange opens for business on September 30. But investors will be able to buy and sell shares in several companies which also trade on the Nasdaq market in the US and which have applied for dual listing under an agreement between the two markets. Mr Jaques Putzeys, chief executive of Easdaq, said yesterday that between five and seven flotations on the Brussels-based market were planned in the first few months. The companies, which were not named, come from Denmark, France, Spain and the UK.

"We are not concerned that there will not be any new companies on day one. The important thing is that we now have the regulatory and transaction systems in place for the new market."

Easdaq has been developed over the past two years at a cost of about £10m ($15.5m). Some 90 institutions, banks and stockbrokers have funded the development, which has been modelled on Nasdaq. The US market also has a small stake in Easdaq. Mr Putzeys said Easdaq's aim was to attract high-growth European companies which had international aspirations and would appeal to a wide variety of investors. *Christopher Price*

Leica offering oversubscribed

Leica said shares in its initial public offering would be priced at DM47 – at the top end of the range. The company said the issue was oversubscribed several times, mainly due to strong demand from retail investors and German and international institutional investors. The shares are due to start trading on September 19. *AFX News, Frankfurt*

Saint Louis to cut costs

Saint Louis, the French conglomerate, is to focus on cutting costs to improve profitability, particularly in the paper sector, following yesterday's news of a 44 per cent decline in first-half earnings, said Mr Daniel Melin, chairman, in an interview with French daily Le Figaro.

Mr Melin said Saint Louis's priority is to improve profitability, particularly at Arjo Wiggins Appleton, in which it has a 40 per cent stake. AWA needed to produce more quickly, reduce delays in deliveries, and cut fixed costs, he said. "We now have the feeling that . . . the worst is behind us [AWA]. Sales have picked up and we hope for an increase in prices in the second half of 1996," he said. *AFX News, Paris*

Daylight seen by Thomson factfinders

By David Owen in Paris

The frontage may be planted with red and yellow flowers. And the nearby café may specialise in couscous. But the unremarkable white building would not be many Parisians' idea of the ideal place in which to spend August.

Spare a thought then for the scores of Lagardère and Alcatel Alsthom executives who have passed a good part of their summer in these uninspiring surroundings in the west Paris suburb of Courbevoie.

While most of France was sunning itself on beaches from Cannes to La Rochelle, these poor souls were poring over figures in this anonymous building, as part of the process of preparing formal offers for Thomson, France's defence and consumer electronics giant. These are expected to be tabled by their respective employers by the end of this week.

The eventual sale – expected before the end of this year – will complete another important step in the wholesale reshaping of the French defence and industrial landscape that is in progress. It also promises to give the buyer a big advantage in the fight for mastery of the European defence industry. Alcatel is widely thought to have a slight edge.

The significance of the white building is that it houses the so-called "dataroom" where detailed financial information on Thomson is made available to the likely bidders. Executives preparing the offers have been coming here to consult these documents for about six weeks.

Some of those familiar with the operation give it high marks for security but not for creature comforts. Identity cards must be shown on entering the premises and, while computers are permitted, portable phones must be left behind.

The rooms housing the documents are watched by video cameras and by security officers – "like prison guards". Files are colour-coded to denote whether their contents can be photocopied, or copied by hand, or not copied at all. Dictaphones are provided by Thomson.

There is no air conditioning and the main catering facilities are a drinks vending machine and a refrigerator. If there is a consolation for the select group who missed much of the August sunshine within these walls, it is that the end of their ordeal is finally at hand. The "dataroom" is expected to close today.

Increased expenses behind fall at Flughafen Wien

By Eric Frey in Vienna

Flughafen Wien, the Vienna airport authority, yesterday reported a 5 per cent drop in first-half group net profit as heavy traffic during peak times and the cold winter drove up costs.

Net income fell from Sch278m to Sch263m ($24.7m) while turnover climbed 7 per cent from Sch1.79bn to Sch1.92bn, the company said in its first-half report. Operating earnings were down 13 per cent from Sch350m to Sch303m, but a 50 per cent rise in financial profit from Sch57m to Sch86m softened the overall downturn.

A new traffic system introduced by Austrian Airlines, the airport's main customer, forced the airport to employ more personnel at peak times and severe weather led to exceptional use of de-icing agents and other winter services, the airport said. As personnel costs jumped Sch46m in the first half, expenses climbed faster than revenues.

The company warned that full-year earnings would be below last year's high of Sch673m because of a general economic slowdown. The airport will implement productivity improvements and cost controls to limit the decline, continue its programme of "total quality control", and strengthen its marketing link with Amsterdam's Schiphol airport.

Airlines have criticised Vienna airport for excessive handling and landing fees. The airport said it was negotiating with the Austrian ministry of transport to keep these fees fixed and hoped to sign an agreement in October. However, big clients should receive incentives to promote traffic and "reinforce the transfer point function of Vienna Airport", the company said.

The airport will also try to sign long-term agreements with its principal clients on ground-handling service, which the European Commission is planning to deregulate to allow third-party providers into every airport.

Kredietbank posts 14.5% interim advance

By Neil Buckley in Brussels

Kredietbank, Belgium's second-biggest bank, yesterday firmly distanced itself from allegations of fraud at a Luxembourg-based sister bank, as it reported a 14.5 per cent increase in first-half net profits from BFr5.84bn to BFr6.68bn ($215m).

Kredietbank Luxembourg, owned like its Belgian associate by Antwerp-based holding company Almanij, was identified last month as the subject of investigations by the Belgian tax authorities into "fraudulent financial structures". The Luxembourg bank, which operates separately from its Belgian associate, denies any wrongdoing.

Mr Marcel Cockaerts, president of Kredietbank Belgium, said he had launched an internal investigation for any evidence of "complicity" with the Luxembourg associates in fraudulent activities, but had found none.

Kredietbank's 14.5 per cent increase in profits was at the top end of forecasts – which ranged from 9.5 per cent to 15 per cent owing to uncertainty over the likely level of provisions.

The improvement was achieved in spite of a sharp increase in total depreciation, write-downs and provisions from BFr3.73bn to BFr7.87bn. The total included a more than doubling of write-downs and provisions for credit risks, plus undisclosed provisions to cover the cost of transition to a single European currency and the cost of preparing information technology for the switch to the year 2000.

The bank said total costs of transition to the euro could be up to BFr1bn, while dealing with the "millennium problem" could cost a similar amount.

Mr Cockaerts rejected suggestions that the bank's provisions policy was too conservative, insisting its strategy was to be "innovative" in finding new markets and profit sources other than its traditional domestic activities. Ten per cent of earnings now came from profit centres which did not exist five years ago.

He said the bank had ambitions to expand in eastern Europe, and already had representative offices in Poland, Hungary and the Czech Republic. It also recently opened an office in the Philippines.

Gross income increased 24.1 per cent from BFr32.35bn to BFr40.14bn, with interest income up 13.4 per cent. Earnings from financial transactions jumped 80.8 per cent, due to good results from trading and foreign exchange dealing, while other commission and operating income grew by 38.5 per cent.

Operating costs increased 8.9 per cent from BFr19.78bn to BFr21.49bn, due mainly to the cost of integrating Bank van Roeselare, in which Kredietbank acquired a majority stake in January. But the cost/income ratio remained at 53 per cent – one of the best figures among European banks.

● Cockerill Sambre, the Belgian steel group, incurred a first half net loss of BFr180m ($5.79m), against a net profit of BFr3.1bn a year earlier, despite an 8.3 per cent rise in sales from BFr94.8bn last year to BFr102.6bn, AFX News reports from Brussels. Results for the steel activities are only expected to show an improvement in the first quarter of 1997, said the company, but it was not possible to make a net forecast for the second half.

Sales on a like-for-like basis were BFr87.2bn, down 7.7 per cent from last year's first half. Net profit before exceptionals was BFr410m, against BFr5.2bn. Cash flow fell from BFr9.4bn to BFr5.6bn. During the second half the car and packaging markets ought to remain stable while the building sector could show improvement, the company said.

Higher lending puts CCF ahead

By Andrew Jack in Paris

Crédit Commercial de France, the French banking group, yesterday reported first half net income up 12 per cent to FFr669m ($130m) despite higher provisions and a warning of the continued depressed state of the banking sector.

Mr Charles de Croisset, chairman, said: "We are very satisfied, because our results are good in our divisions, which is a good sign for the future."

He said the volume of lending increased at a time of falling interest rates and there was significant new income from life assurance products. But margins were eroded, and the bank had to take additional provisions to reflect a deteriorating quality of credit since the start of the year.

Net banking income rose 7 per cent to FFr4.8bn, and general expenses and depreciation charges were up 4 per cent to FFr3.3bn, boosting gross operating income nearly 14 per cent to FFr1.5bn.

The group increased its commercial property loans provisions to 68 per cent of doubtful loans, against 63 per cent at the end of last year.

Overall, it unveiled a substantial increase in provisions from FFr362m in the first half last year to FFr449m. Provisions in the first six months of 1994 were FFr440m.

Client deposits in France fell 0.8 per cent to FFr34.7bn, while loans rose nearly 5 per cent to FFr38.8bn. This reflected a 7 per cent rise in demand for loans from individuals, to FFr15.4bn, offset by a 0.5 per cent decline to FFr19.3bn in demand from companies.

Mr de Croisset said CCF's investment banking activities had been helped by falling interest rates and growing demand for fixed-income products, while AGF's role in the equities markets had been increased by its role in the privatisation this spring of AGF, the French insurance group.

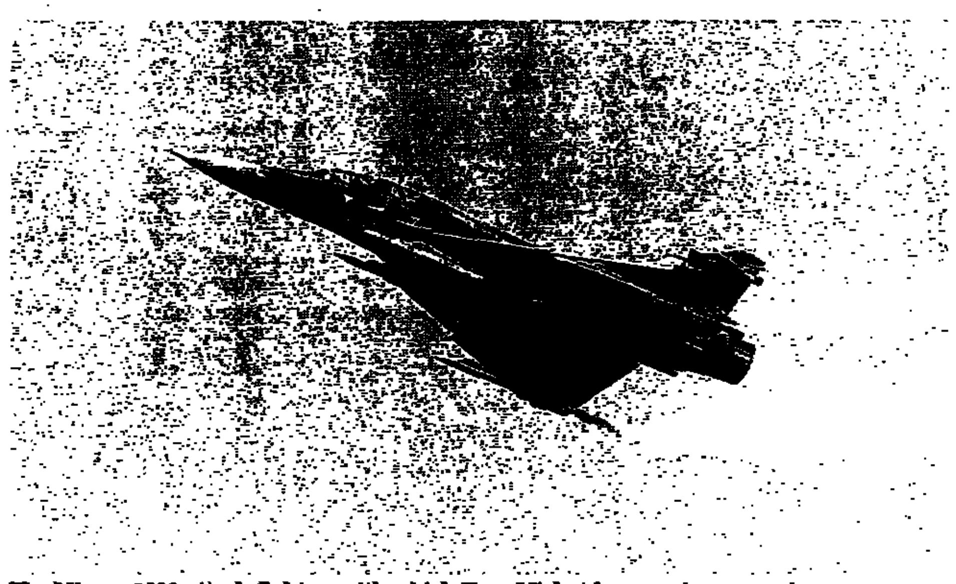
He said the bank's corporate services operations had seen margins squeezed, while there was a recovery in their foreign branches, reflecting restructuring undertaken last year, notably in New York.

The asset management arm reported the value of funds under management up 17 per cent from the end of last year to FFr186.5bn, with much of the increase explained by the performance of mutual funds invested in bonds.

A rally in the markets and a stronger dollar helped CCF's international private banking division, with assets held rising to FFr35bn.

Aerospace merger is on schedule

By David Owen in Paris



The Mirage 2000 attack fighter, with which Yves Michot has previous experience

The long-discussed merger between state-owned Aerospatiale and privately-controlled Dassault is to take effect as scheduled on January 1 1997, the French government confirmed yesterday.

A ministry of defence spokesman said general meetings of the two companies would be called at the start of that month to approve the deal, which will create a single French aerospace company with sales of more than FFr60bn ($11.6bn).

The government hopes the new group will be able to play "a driving role" in Europe and to "rival" its main US competitors. Together, the two companies would be similar in size to Daimler-Benz Aerospace (Dasa) and British Aerospace, Europe's two other large aircraft manufacturers.

The defence ministry's latest comments come at a time when the key issue of the merged group's future ownership is still unknown, however.

There has been no confirmation of reports early this summer that Mr Serge Dassault, chairman and half-owner of Dassault Aviation, would obtain about 27 per cent of the new group.

The government has shown a desire to give Mr Dassault more than 25 per cent – the level at which a stake is considered an industrial rather than a financial holding and so taxed less heavily on any capital gains – but less than the 33 per cent which in France can constitute a blocking minority.

The final division will depend on how bank advisers value the two companies' assets. Aerospatiale has nearly five times the turnover of Dassault, but last year Aerospatiale posted a net loss of nearly FFr1bn compared with Dassault's net profit of FFr526m.

The deal was initially resisted by Mr Dassault who sought to protect his family firm's independence by refusing until May to let a pilot committee set up by the two companies to produce a detailed merger plan to even meet. Eventually, however, his resistance was overcome.

Last month's appointment of Mr Yves Michot to succeed Mr Louis Gallois as Aerospatiale head has been widely expected to help smooth the path to the merger.

Negotiations between Mr Gallois – now at SNCF, the state-owned railway company – and Mr Dassault had made slow progress, apparently because of tensions between the two men. Mr Michot, by contrast, has worked with Dassault before, notably on the Mirage 2000 attack fighter.

The government has said the company would be constituted so that its capital could be opened to others as soon as possible. The merger would constitute an initial, partial privatisation of Aerospatiale, which has been on the government's sell-off list.

NEWS DIGEST

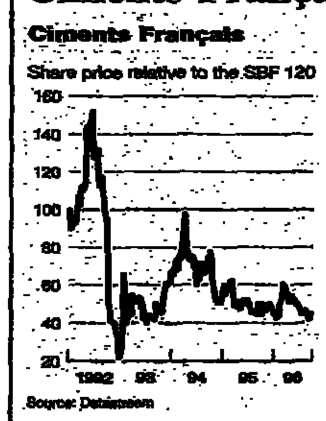
Olivetti downbeat on PC prospects

Mr Francesco Caio, chief executive of Olivetti, said yesterday the Italian information technology group's personal computer subsidiary would not break even this year as originally hoped. Mr Caio told a parliamentary committee that Olivetti was committed to finding a partner for the PC subsidiary, one source of losses at the Italian group. He said Olivetti's future development would come from the crossover between the computer systems and services division and the growing telecommunications activities.

Consob, the Italian stock market watchdog, yesterday talked to Mr Caio, fellow executives and members of Olivetti's internal audit committee about the financial situation at the group.

Last week, Mr Carlo De Benedetti resigned as Olivetti chairman. The day after, the holding company's director-general stepped down, alleging that the half-year results were misleading. Olivetti has denied the claims, but the shares have fallen sharply this week. *Andrew Hill, Milan*

Ciments Français down 29%



Ciments Français, the French cement group, posted first-half net profits down 29 per cent from FFr51m to FFr36m ($6.98m). Sales also fell 6 per cent from FFr6.22bn to FFr5.82bn. Operating profits dropped from FFr881m to FFr5.82m. Efforts to cut costs and reduce financial expenses should lead to an increase in earnings for the full year. "The economic environment remains depressed in important parts of the group's markets [France, Belgium Spain], but the outlook is better in north America. Cost reductions and lower financial costs may enable the company to register improved results for the full year," the group said. *AFX News, Paris*

JCI sharply up in year

JCI, the mining house earmarked for sale to black investors, achieved a sharp rise in full-year profits on the back of a weaker rand and higher commodity prices. Operating and investment income rose 47 per cent to R406m ($90.6m), from R276m a year ago. The company raised an exceptional R340m from the disposal of part of its stake in De Beers, the diamond producer, which boosted pre-tax profits to R748m.

JCI's share price increased by 70 per cent during the year ended June 30. The shares are currently trading at a discount to net asset value of about 6 per cent, against 29 per cent a year ago.

Income from investments was 45 per cent higher from R45m to R109m, due primarily to new business at SA des Minerals, the international minerals marketing business, and higher dividend income from Anglo American Platinum. Earnings per share increased 31 per cent from 178 cents to 234 cents. The dividend is lifted to 77 cents, against 40 cents. *Mark Ashurst, Johannesburg*

Management reshuffle at BZW

By John Gapper, Banking Editor

Mr Donald Brydon, acting chief executive of BZW the investment banking arm of Barclays over the past six months, is to leave the bank in a wide-ranging management reshuffle implemented by Mr Bill Harrison, the new chief executive.

The reshuffle, disclosed two days after Mr Harrison arrived at BZW from Flemings, also includes the appointment of a fresh head of its stockbroking division, and the promotion of three other managers to BZW's management committee.

The changes follow the appointment of Mr Bob Diamond, the former head of bond trading and sales at CS First Boston in New York, to head a push by BZW to compete more strongly in fixed income operations with its large rivals.

BZW, which employs about 3,500 people around the word, is regarded as Britain's leading contender - along with NatWest Markets - to compete globally with US investment banks, and investment banking arms of Swiss and German banks.

There has been an upheaval in the senior management of BZW since the death earlier in the year of Mr David Band, who was its chief executive. Mr Brydon, who was his deputy, has acted as BZW's chief executive since Mr Band's death.

Mr Brydon, 51, was informed on Wednesday by Mr Harrison and Mr Martin Taylor, Barclays' chief executive, that Mr Harrison did not require a deputy in the management structure devised while on leave after departing from Flemings.

"Bill felt, and I agreed, that there was no room for both of them," said Mr Taylor.

Mr Harrison said the promotion of Mr Steve Harker, 40, to be head of equities in place of Mr Jonathan Davie, who is to become deputy chairman, showed BZW was promoting from within as well as recruiting outsiders such as Mr Diamond.

Bad times end at Caradon

Turning point: Peter Jansen

By Simon London

Caradon, the building materials group, saw its shares rise 13 per cent yesterday after unveiling unexpectedly strong interim profits to reverse a recent run of disappointments.

"There is a genuine feeling that things are getting better. This could be a turning point for us," said Mr Peter Jansen, chief executive.

Caradon shares collapsed last autumn from 260p to a low of 181p after poor interim results and a profits warning. Yesterday the shares gained 28p to 249p.

Pre-tax profits fell 10 per cent to £81.3m ($127m) in the six months to June. The result was a 32 per cent improvement on the second half of 1995 and well ahead of analysts' expectations.

Mr Jansen said that Caradon had reduced its costs by £30m since it announced a restructuring programme in the spring and was on course to beat its target of £50m annual savings.

The company's North American doors and windows operation, its worst performing business, delivered operating profits of £1.2m after a loss of £11.2m.

"The market is greatly relieved. It is clear that the figures would have been far worse without the cost-cutting programme," said Mr Robert Donald, building materials analyst at NatWest Markets.

Analysts increased full-year profits forecasts from about £165m to £175m, putting the shares on a price earnings ratio of 15 times, roughly in line with the sector average.

Trading conditions showed little improvement in the period with poor weather in Europe and the US depressing demand early in the year.

The benefits of cost-cutting were eroded by pricing pressures, especially in Caradon's German heating business where selling prices fell by 10 per cent.

Caradon announced two weeks ago that it was in advanced negotiations over the sale of 15 engineering and distribution subsidiaries for about £200m.

Turnover from continuing operations increased marginally to £1.05bn.

Provisions leave BTR at just £4m

By Ross Tieman

BTR, the engineering and manufacturing group, unveiled profits before tax of just £4m ($6.24m) for the half year to June 30, after £622m of provisions for restructuring and disposals.

The slump, from profits of £729m during the same months of 1995, was widely expected.

It was accompanied by an interim dividend of 4p, cut from 5.54p a year ago. The company said it expected to recommend a final dividend of 5.6p, making 9.6p, down 35 per cent on last year's pay-out.

The dividend cut had been widely anticipated as part of a package of measures introduced by Mr Ian Strachan, the new chief executive, to focus BTR on businesses with global growth potential.

He said: "We are focusing on the profitable growth of our core engineering and manufacturing businesses by building up those which have the best global leadership potential."

The first-half profit was struck after exceptional provisions of £273m relating to disposals.

Since January, BTR has announced divestments totalling £1.085bn, including the sale yesterday to FKI of its electrical power group for £182.5m. BTR said it would make a £40.5m profit on the latest disposal.

In addition, £349m has been provided within the half-year accounts to cover one-off restructuring and plant closure costs needed to implement a new strategy of concentrating on businesses with global market strength.

Presenting its figures, BTR sought to distinguish between on-going operations and those to be sold off. On core sales of £4.49bn, up from £3.96bn, BTR achieved operating profits of £703m, 3.2 per cent ahead.

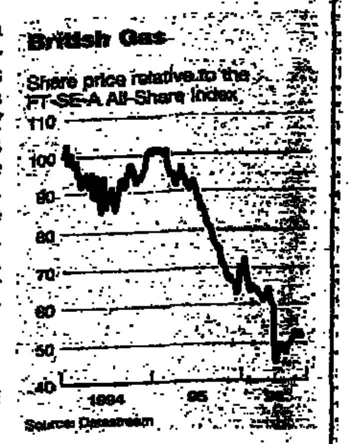
Among its four core divisions, BTR faced a serious setback in automotive, where trading profits slipped 22 per cent to £68m on sales ahead 21 per cent to £705m.

The company said difficult trading conditions in Europe coincided with start-up costs on new models in the US.

● FKI, the engineering company which has acquired 17 businesses in the past three years, said the cash acquisition of BTR's Hawker Siddeley arm would make it one of the UK's leading manufacturers of electric motors, traction components and switchgear.

LEX COMMENT

British Gas



Red ink at British Gas is a nasty reminder that regulation is not the company's only problem. There is also the small matter of £40bn of uneconomic gas contracts. Yet even here there are chinks of light. For a start, where the domestic market has been opened to competition high gas costs have so far lost BG surprisingly few customers – 15 per cent – to cheaper competitors. Meanwhile, thanks to buoyant demand, the gas glut is quietly shrinking. Last year BG spent £500m on gas it could not sell; this year the figure should be about zero. The snag is that the spot price may be well be above last year's scary levels, but the long-term gas price is not going to rise enough to bail BG out. The reason is fundamental: BG is paying well above the cost of getting fresh gas out of the North Sea – hence the importance of renegotiating the contracts. But the test for Mr Roy Gardner, British Gas Energy's new chief executive, is not whether or how soon he can secure renegotiation; but what price he has to pay. The trick will be to cut contract prices without BG just footing the full bill upfront. It should not be difficult to get a helping hand from the Treasury, since BG could probably structure payments to escape the high tax rates gas producers pay on contract revenues. The tricky bit will be to do better than this, both by putting pressure on the producers and by finding the most imaginative uses for BGE's gas fields and customer base as bargaining chips.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
APV	6 mths to June 30	346	(401)	0.7♥	(7.1♠)	0.2	(1.6)	1	Jan 3	1	-	2.7
Baird (William)	6 mths to June 30	304	(304)	5.13♠	(8.4)	2	(4.9)	3.55	Jan 6	3.55	-	9.35
Bentalls	6 mths to July 27	40.9	(37.1)	0.4	(0.67L♠)	0.6	(1.07L)	0.6	Nov 1	0.6	-	2.22
Bodycote Intl	6 mths to June 30	61	(41)	12.44	(8.68♥)	14.1†	(10.2)	2.8	Dec 27	2.4	-	6.5
Brit Aerospace ☆	6 mths to June 30	2,918	(2,859)	199♠	(114♠)	31.2	(12.2)	6.25	Nov 29	5	-	12.5
British Fittings	6 mths to June 30	38.1	(38.9)	1.32♠	(1.26)	2.11	(2.85)	1.35	Nov 22	1.2	-	3.6
British Gas □	6 mths to June 30	5,130	(4,806)	705	(797)	7.8	(9.8)	6.4	Dec 18	6.4	-	14.5
British Mohair	6 mths to June 30	23.4	(25.8)	0.855	(1.58)	3.72	(7.59)	1.4	Oct 25	1.4	-	9
BTR	6 mths to June 30	4,953	(4,892)	4♠	(729♥)	0.9L†	(12.5)	4⚹	Nov 29	5.54	-	14.69
Capital Corpn	28 wks to July 14	26.3	(32.6)	7.24	(11.07)	4.78	(7.31)	2.125	Oct 17	2.125	-	8.125
Caradon	6 mths to June 30	1,059	(1,032)	81.3	(90.2)	7.2†	(8.4)	2.9	Nov 22	2.9	-	9.5
Circle Comms Φ	6 mths to June 30	3.6	(6.9)	0.696	(0.512)	6.01	(6.16)	-	-	-	-	-
Enterprise Oil	6 mths to June 30	428	(375)	157.5	(101.7)	13.5†	(8.2)	6.5	Nov 4	6.5	-	16
First Call	6 mths to June 30	23.78	(21.78)	2.88	(0.35)	7.6	(4.2L)	-	-	-	-	-
Folkes	6 mths to June 30	20.9	(23.3)	2.05	(1.95)	4.59	(3.66)	0.884	Dec 2	0.822	-	2.44⁂
Fortnum & Mason	Year to July 13	32	(30.2)	3.22	(3.47♥)	491	(541)	72*	Dec 31	58*	158	144
Hall Engineering	6 mths to June 30	129	(80)	5.31♠	(3.4♥)	8.2†	(7.41)	3.775♦	Oct 18	3.775	-	10.025
Headlam	6 mths to June 30	83.9	(71.5)	4.44♥	(3.12)	6.2	(5)	1.45	Dec 10	1.2	-	4.8
Highbury House	6 mths to June 30	4.78	(5.8)	0.443L	(1.8L1)	4L	(17.9L)	nil	-	nil	-	nil
Industrial Contl	Year to May 31	77	(83.8)	5.56	(0.1♠)	9.03†	(2.03L)	2.1	Nov 15	2.1	3.6	3.6
Jackson	6 mths to June 30	36.2	(34.2)	0.435	(0.378)	1.3	(1.2)	0.7	Nov 4	0.7	-	2
Joyes Group	28 wks to Jul 13	66.1	(66.3)	1.08	(0.303)	2.9	(0.9)	nil	-	nil	-	nil
Lambert Howarth	6 mths to June 30	44.9	(39.7)	0.79	(0.635)	4.4†	(3.7)	2.25	Oct 24	2.25	-	7.1
La Senza Φ	6 mths to Aug 3	6.16	(2.43)	1.64L	(1.38L)	10.2L†	(2,677.2L)	-	-	-	-	-
Legal & General	6 mths to June 30	134	(111)	1,508♥	(119.1)	299.03	(17.1)	8.75	Dec 2	7.7	-	24.4
Lewis (John)	6 mths to July 27	1,468	(1,287)	78.1	(45.5)	-	(-)	-	-	-	-	-
Lionheart	6 mths to June 30	10.5	(16.7)	12.8L♠	(6.68L♠)	45.14L	(69.77L)	nil	-	nil	-	nil
Logica	Year to June 30	285	(250)	24.7	(20.3)	27.1	(21.7)	4.8	Nov 14	4.5	7.8	6.25
Memory Corp	6 mths to June 30	0.087	(-)	3.01L♠	(0.744L)	5.06L	(1.28L)	-	-	-	-	-
Oriel ☆	6 mths to June 30	13.13	(11.57)	6.67♥	(1.08)	19.81†	(0.68)	2	Dec 2	2	-	5.25
Pacific Media	6 mths to June 30	0.592	(1.01)	0.243L♥	(3.31♠)	0.02	(0.25)	-	-	-	-	-
Record	6 mths to June 30	21.5	(17.3)	1.28	(1.26)	2.18†	(2.18)	1.15	Dec 2	1.15	-	3.6
Reunion Mining	6 mths to June 30	1.84	(-)	1.09L	(0.506L)	3.3L	(1.4L)	-	-	-	-	-
RTZ-CRA	6 mths to June 30	2,210	(2,532)	583	(640♠)	25.8	(24.4)	10.8$	Oct 21	10.5	-	-
Russell (Alex)	6 mths to June 30	18.32	(19.33)	1.21	(1.68)	2.47	(3.85)	1.1	Nov 29	1.1	-	2.7
Royal Dutch ‡	6 mths to June 30	-	(-)	-	(-)	-	(-)	4.3§§	Sept 24	3.9	-	9.5
Scottish TV	6 mths to June 30	52.2	(46.9)	10.3	(7.4)	11.5†	(10.3)	5.5	Nov 8	4	-	16.25
Shell Transport	6 mths to June 30	-	(-)	-	(-)	-	(-)	14.4	Nov 4	12.9	-	33.3
Sirdar	Year to June 30	56	(60.5)	5.91♥	(3.21♠)	7.8	(3.71)	3.7	Nov 25	3.7	5.49	5.49
Spirax-Sarco	6 mths to June 30	136	(122)	21.8	(19.1)	16.8	(14.6)	4.5	Nov 18	4	-	13.2
TLS	6 mths to June 30	23.8	(17.7)	2.44	(1.85)	4	(3.8)	1.1	Oct 11	0.85	-	2.7
Usher (Frank)	Year to May 31	21.6	(22.3)	2.02	(2.05)	18.1†	(19.7)	7	Nov 4	6.5	11	10
United Biscuits	28 wks to July 13	1,048	(1,553)	42.8	(37.8L♠)	5.5	(8.4L)	3.5	Jan 3	3.5	-	9.8
Utd News ☆	6 mths to June 30	1,039	(945)	119.6†	(112.3♠)	16.2	(16.3)	8	Dec 2	7.75	-	23
Wilson (Connolly)	6 mths to June 30	124	(108)	8	(10)	2.7	(3.5)	1.36	Oct 25	1.36	-	4.54
Woodchester⸸	6 mths to June 30	121	(106)	21.4	(17.2)	7.41	(6.24)	3.16	Nov 8	2.75	-	6.83
World of Leather	6 mths to June 30	17	(15.2)	0.531	(0.083L)	2.9	(0.7L)	0.85	Oct 25	0.75	-	1.6
Yorklyde	6 mths to Jul 31	11.4	(11.3)	1.16	(2.05)	6.9	(13.2)	2.65	Dec 2	2.65	-	8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
English & Dutch ‡	6 mths to June 30	24.53	(19.31)	2.6	(2.57)	0.8†	(0.79)	-	-	-	-	1.5
Highcroft	6 mths to June 30	-	(-)	0.425	(0.393)	8.1	(6.5)	2.2	Nov 1	2.1	-	5.85
Perpetual UK	6 mths to July 31	327.6	(257)	0.412	(0.121)	2.9	(2.3)	-	-	-	-	2.3

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. □Current cost basis. ⁂Includes special 0.788p. ☆Comparatives restated. ⚹Paid as enhanced Foreign Income Dividends. ♦Paid as Foreign Income Dividend. ⸸Irish currency. ★Comparatives for 53 weeks. *Second interim. ‡Dutch florins. §§Gross throughout. $In respect of RTZ.

TLG issues warning

By Chris Brown-Humes

Shares in TLG dropped by more than a third yesterday after the industrial lighting equipment maker warned of worsening conditions in its main markets and lower first half profits.

The problems stem from tough markets in the UK, France, Germany, Sweden and Australia.

TLG, formerly part of the Thorn group, said interim profits were likely to fall to £8m-£8.5m ($13.26m) against £11.4m a year ago.

This led analysts to cut full-year forecasts to £24m-£25m from more than £30m, after last year's £28.6m profit.

The shares fell below the 115p price at which the company was floated in November 1994, closing 62p lower at 108½p.

The group flagged concern about short-term prospects in June and July - saying the French and German markets were particularly difficult - but the market ignored the warnings. What shook the City yesterday were suggestions that the UK, Swedish and Australian markets had also deteriorated.

The group said it anticipated a recovery in the second half.

NEWS DIGEST

RTZ-CRA falls but is optimistic

A cocktail of adverse factors caused a 29 per cent drop in interim profits of RTZ-CRA, the world's biggest mining company. Profits fell from $1.25bn to $891m before tax and exceptionals. Adjusted earnings after tax dropped by 22 per cent, from $711m to $552m.

The Anglo-Australian group was optimistic about prospects, however. Mr Bob Wilson, chief executive, pointed out that confidence in the metal markets had been shaken by the revelation by Sumitomo of Japan in June that it had lost nearly $2bn in copper trading. "The current price levels of many metals appear to be more depressed than the fundamentals of supply, demand and stocks would suggest."

Economic indicators suggested "a broadly based improvement in the second half of this year and stronger markets in 1997. On a longer term view, we are confident about growth of demand, especially from the Asian region which now accounts for a significant share of global consumption of all metals and minerals."

Lower quoted metal prices offset other price improvements, reducing earnings by $194m, while exchange rate effects accounted for a further $34m reduction.

Continuing difficulties with the new copper smelter-refinery complex at Bingham Canyon, near Salt Lake City in the US, helped cut net earnings of Kennecott Metals from $237m to $59m.

Kenneth Gooding

Cost cutting helps BAe

Cost cutting and further improvement in the commercial aerospace division helped British Aerospace lift profits before tax and exceptional items 38 per cent to £215m ($335.4m) in the six months to 30 June.

The defence division continued its traditional strong performance, with profits of £255m (£240m) on sales of £2.17bn, a margin of 11 per cent. However, the division has seen a rise in working capital as it builds the batch of 48 Tornado bombers for Saudi Arabia under the Al Yamamah II programme.

Part of the payment for the new Tornado batch was paid in advance, and as a result, BAe saw a cash outflow as it bought the components and sub-assemblies for the jets. However, Mr Richard Lapthorne, finance director, said that strong efforts were being made to contain working capital. Over time he said that defence profits would be converted into cash.

BAe's forward defence order book is over £9bn, with a further £2.4bn of orders won from the UK Ministry of Defence since June for Nimrod maritime patrol aircraft and cruise missiles. Sir Richard Evans, chief executive, said the company has strengthened its marketing effort by appointing regional marketing directors around the world.

Bernard Gray

UB back in the black

United Biscuits returned to the black yesterday as a good interim performance in the UK offset sharp declines in Europe and Asia Pacific.

The biscuits and snacks group, which quit the US and Spanish markets last year, reported pre-tax profits of £42.8m ($66.8m) in the 28 weeks to July 13. This compares with a previous restated loss of £37.8m after exceptional charges of £52.8m. Mr Eric Nicoli, chief executive, said the group was on track to deliver a substantial improvement for the full year.

The fierce battle with PepsiCo in the Australian snacks market was the main reason for a 61 per cent fall in Asia Pacific profits to £2.2m on sales up 14 per cent at £128m.

Mr Nicoli said that profits at Smith's, the group's Australian snack business, had fallen from £7.2m to £5m after "the commercial equivalent of a nuclear attack". But Smith's remained market leader, and fully expected to regain any lost market share following the move to a new factory in Brisbane.

European operating profits fell by 30 per cent to £7.3m as sales edged ahead to £243m. In the UK the biscuits and snacks division lifted operating profits by 15 per cent to £42.3m on the back of a 5 per cent rise in sales to £451m.

David Blackwell

Enterprise/Pennzoil link

Enterprise Oil, the UK-based explorer, yesterday announced a joint exploration project with Pennzoil, a US group, in the Gulf of Mexico. Under the deal Enterprise will fund a $100m drilling programme in return for a 50 per cent stake in the production.

At the same time, Mr Graham Hearne, chairman, said higher oil prices helped lift interim pre-tax profits 55 per cent to £157.5m ($245.7m) in the first half of 1996.

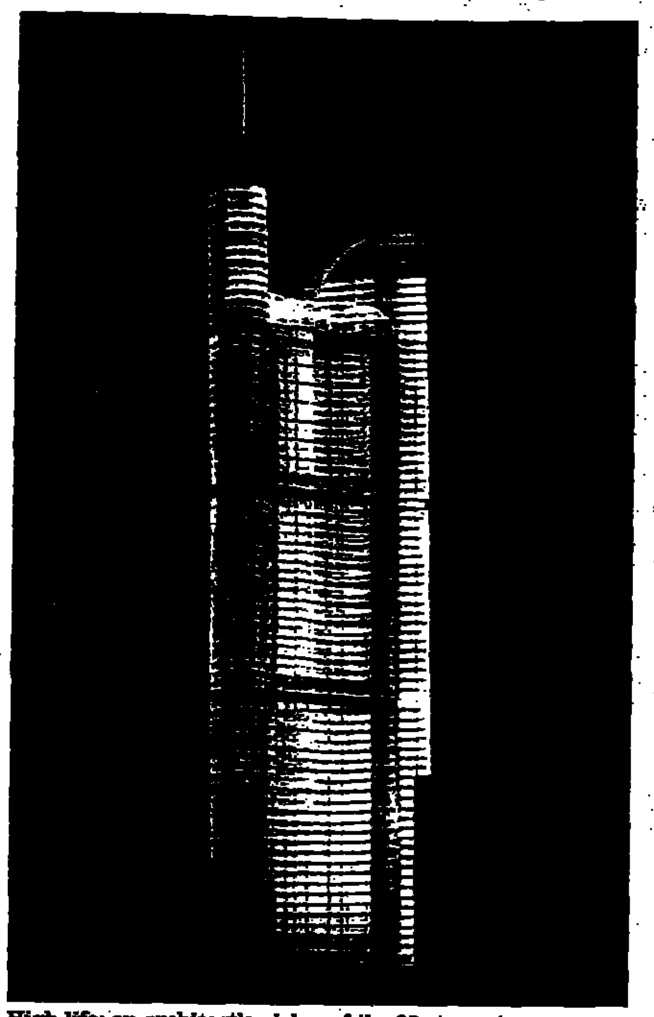
The Pennzoil move is Enterprise's first outside Europe. Mr Andrew Shilston, finance director, said that the US development could represent up to 25 per cent of the company's value within five years. He added that it "made more sense" for Enterprise to expand via such deals rather than through large acquisitions. It was criticised for its failed bid for Lasmo two years ago.

Operating profits rose 22 per cent to £147.8m, helped by an improved performance from its reorganised stake in Elf Enterprise, a joint venture with Elf Aquitaine.

THE PROPERTY MARKET

Simon London looks at the Millennium Tower's financing

A stack of investment



High life: an architect's vision of the 92-storey tower

For all its great height, does the proposed Millennium Tower for the City of London stack up financially?

Building 1.5m sq ft of offices, shops and flats is a risky business, especially when the planned 92-storey skyscraper will not be ready for occupation for at least five years.

Kvaerner, the Norwegian group behind the proposal, will want to be sure that it can make a clear development profit before deciding to go ahead.

Mr Alan Winter, managing director of Trafalgar House Properties, the Kvaerner subsidiary responsible for the project, estimates that the 1,265 ft tower will cost about £400m to build.

But this does not include site costs, fees, interest charges, or inflation. Trafalgar has spent about £35m assembling the 1.4 acre site, fees and inflation would each push the overall cost up by a similar amount.

The true cost of building the tower is more likely to be about £600m.

If Kvaerner could let 1.5m sq ft of offices at £40 a sq ft the building would produce an annual income of £60m.

On a property market average yield of 8 per cent, this would have a capital value of about £750m, providing a development profit of about 25 per cent.

These rough calculations suggest that the Millennium Tower is commercially viable on fairly conservative assumptions. Kvaerner's profit would increase massively if it could achieve higher rents, or if the property market valued the building on a lower yield.

Against this, building costs or interest rates could escalate over the next five years. Rents could plunge well beneath £40 a sq ft if the City was again awash with unwanted office space.

If Kvaerner can deliver on its promise to provide wide open floors of up to 20,000 sq ft with panoramic views over London, though, the Millennium Tower would almost certainly attract tenants. The unanswered question is whether the design will win the hearts and minds of the public, the government and City planners.

High hopes for the sector

The property equities market is living proof of the dictum that hope springs eternal. After a strong run during August and into this month, the sector has advanced by nearly 17 per cent this year, outperforming the equity market by a wide margin, Simon London writes.

Most larger property companies are now valued at about the underlying value of their assets. This compares with a long-term average discount to net assets of 15 per cent to 20 per cent.

Only twice in recent history have property companies been as highly rated by the stock market.

In 1993 shares traded at a premium to assets as investors anticipated an upswing in property values based on declining interest rates.

Shares were pushed to similar heady valuations in 1987 as the market sensed that the economy could overheat, generating both inflation and rental growth.

Today, the prevailing argument is that property is cheap given the improving outlook in many sectors of the market.

Commercial property yields about 8 per cent, roughly in line with long-dated government bonds. If investors really believe that rental income is on a rising trend, property should logically yield less than fixed-income securities.

On this basis many investors are expecting property yields to decline – and values to rise – as investment institutions allocate capital to real estate.

There are two chinks in the armour of this essentially sound argument. First, rental growth is likely to be far less widespread than in the late 1980s, although certain sectors will doubtless enjoy a strong run as the economy picks up.

Second, big investors will be cautious about indiscriminately chasing property yields lower. Many investment institutions remain disillusioned with property as a financial asset.

The most likely outcome is a modest downward yield shift combined with hotspots of rental growth in sectors such as prime City of London offices and large, prime shops.

Companies geared into these areas will probably justify the premium rating of their shares by delivering strong net asset growth. Companies with portfolios spread more widely are likely to disappoint.

In the meantime the premium rating of many shares is an invitation for companies to raise additional equity. The equity market should be prepared for a flurry of rights issues.

COMMERCIAL PROPERTY

COMMERCIAL PROPERTY

Abbey National returns with DM1bn offering

By Richard Lapper, Capital Markets Editor

D-Mark denominated issues by Abbey National Treasury Services and the Republic of Venezuela were the highlights in another busy day in the euromarkets.

Abbey's DM1bn six-year issue, the bank's first in D-Marks, is the latest in a series designed to increase investor awareness, especially in Europe.

INTERNATIONAL BONDS

Mr Gareth Jones, treasurer at Abbey National, said the bank was aiming at European retail investors on the grounds that greater awareness of the bank's name would eventually cut borrowing costs. Launched at 20 basis points over the six-year Bobl, the bond held its price when freed to trade, bookrunners Deutsche Morgan Grenfell said.

Syndicate managers said Asian investors accounted for 15-18 per cent of sales. Many had been tempted to buy the D-Mark paper after the dollar's recent strength against the German currency. While Abbey National has raised more than $4bn in the euromarkets this year, Venezuela's DM650m deal was the country's first eurobond of 1996, with the seven-year maturity signalling an improvement in creditworthiness after the agreement of an IMF-backed economic adjustment programme. Venezuela issued DM500m in three-year bonds last November.

Brought to the market by WestLB, yesterday's deal was aimed primarily at German retail intermediaries, for whom the high yield was attractive. It was well received with the spread of 440 basis points over the equivalent German government bond narrowing by 25 basis points after the bonds were freed to trade.

Two other D-Mark denominated bonds – from Nestlé and Unilever – were also aimed at German retail buyers; both tightened when freed to trade. Unilever's DM300m deal was its first issue in D-Marks.

British building societies were prominent in the sterling sector. Both Nationwide and Bradford and Bingley issued floating rate notes, while syndicate managers at UBS described the structure of Britannia Building Society's £100m 15-year issue, callable after 10 years, as "innovative".

Britannia is paying investors 88 basis points over the gilt for 10 years with that rate increasing to 188 basis points for the remaining five years if the bond is not called. The structure allows the society to make full use of the bond as tier-two capital for regulatory purposes for 10 years. Had it issued in a 10-year maturity, the amount of the bond which could be considered regulatory capital would have fallen steadily from year five.

J.P.Morgan said the £200m seven-year issue for Morgan Guaranty Trust had been bought mainly by European investors, with the launch spread of 24 basis points over the equivalent gilt narrowing marginally when the bonds were freed to trade.

J.P.Morgan said its issue for MMCCT, the securitisation vehicle of MBNA, the credit card issuer, had been oversubscribed by four times. The first tranche of $850m was priced at one-month Libor plus 15 basis points, while a second tranche for $75m was priced at 36 basis points over Libor.

Deutsche Morgan Grenfell said it had doubled the size of its zero-coupon lira deal for Deutsche Finance Netherlands to L2,000bn to met heavy demand from Italian investors. At the reoffer price the bond yields 9.09 per cent, 51 basis points less than government paper. "Zero coupon bonds will always outperform during periods of falling interest rates because there is no re-investment risk," explained syndicate managers.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
MMCCT, S 96-J, Cls A(a)‡	850	(a1)	(a1)	Sep 2003	-	-	JP Morgan Securities
Govt Housing Bk Thailand‡	200	(b)	99.85R	Oct 2001	0.15R	-	Deutsche Morgan Grenfell
Commerzbank(a)	200	6.50	100.00R	Dec 1998	0.125R	+10(5⅛%-98)	Commerzbank
World Bank★	100	5.30	100.52	Sep 1997	0.10	-	Nomura International
Banco America do Sul(c)	40	9.75#	99.5173R	Sep 1999	0.75R	+340(6%-99)	Crédit Lyonnais
D-MARKS							
Abbey Natl Treasury Services	1bn	5.625	99.315R	Sep 2002	0.275R	+20(8%-02)	Deutsche Morgan Grenfell
Republic of Venezuela	650	10.25	99.76R	Oct 2003	0.125R	+440(6%-03)	WestLB
Nestlé(s,d)	500	5.125	99.69R	Dec 2001	0.25R	+16(5%-01)	SBC Warburg
Unilever(l)	300	5.125	99.808R	Oct 2001	0.25R	+14(5%-01)	ABN Amro/Deutsche MG
STERLING							
Morgan Guaranty Trust Co(s)	200	7.75	99.50R	Dec 2003	0.30R	+24(8%-03)	JP Morgan Securities
Bradford & Bingley B/S(e)‡	200	(e1)	99.85	Nov 2001	0.15	-	HSBC/NatWest Cap Mkts
Nationwide B/S(f)	150	(f1)	99.85	Aug 2001	0.15	-	HSBC Markets
Britannia B/S(g)	100	8.875	99.512R	Sep 2011	0.50R	+88(7½%-06)	UBS
Commerzbank O'seas Fin(h)	75	7.00	99.572	Dec 2001	1.875	-	SBC Warburg
LUXEMBOURG FRANCS							
Republic of Finland(l)	2bn	6.125	102.70	Dec 2003	1.875	-	BGL
ITALIAN LIRE							
Deutsche Finance Neths(j)	1000bn	zero	7.357R	Oct 2026	0.10R	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) MBNA Master Credit Card Trust. Legal maturity: 15/2/06. a1) Priced later: 1-mth libor base. a2) Class B: $75m. b) 6-mth Libor flat. c) Separate deal: $20m, 8¼%, 22/9/97, 99.775%. d) Includes DM100m increases at 99.69R and 99.86R. e) Fungible with £100m: Plus 50 days accrued. Callable from Nov 2000 at par. e1) 3-mth Libor +5bp. f) Fungible with £150m. f1) 3-mth Libor flat. First coupon: 5.8125%. g) Callable on 2/10/06 at par. If not called coupon is reset at 188bp over 5-yr gilts. h) Fungible with £100m. Plus 211 days accrued. j) L1000bn issued on Wednesday was increased to L2000bn. l) Long 1st coupon. s) Short 1st coupon.

Institutions show renewed interest in hedge funds

By Samer Iskandar

Regulatory changes and evolving market conditions have raised the interest of North American institutional investors in hedge funds.

No statistics are available on investment flows but Tass Management, a fund tracking and consulting firm, said US and Canadian institutional investors "are making a growing number of inquiries about ... hedge and futures funds".

Global Fund Analysis, a monthly report published by Tass, said there were several reasons for this renewed interest. One factor was investors' belief that bonds and equities were now fully valued. "They [investors] feel they are less likely to see in the near future the high returns of the past few years," said Mr Rupert Bruce, GFA editorial director.

Regulatory changes in North America have also played a role. Canadian regulatory authorities, for example, have recently relaxed some rules on pension fund investment, and raised limits on holdings of overseas assets. In the US, recent legislation allows limited partnerships that have reached their legal limit of 100 partners to start accepting money once more – the limited partnership is the dominant legal structure of US onshore hedge funds.

Separately, GFA revealed a new qualitative rating system for offshore funds, based on two ratings. The first assesses the stability of the management group and risk management procedures, while the second reflects performance history and investment style. Each is scored out of 10. They are then combined to give a score out of 20, ultimately expressed in stars. A total of between 18 and 20, for example, would earn a maximum five stars.

Treasuries higher on bullish producer price data

By Lisa Bransten in New York and Samer Iskandar in London

European markets traded in line with rising Treasuries, on the back of moderately bullish US producer price data.

Swedish bonds performed particularly strongly as consumer price inflation fell to historic lows, while Italian BTPs suffered from Emu-linked uncertainty, underperforming German bunds for the first time in two weeks.

■ A report showing that wholesale inflation remains tame helped US Treasury prices firm in early trading yesterday – but investors remained cautious before today's release of data on consumer prices and retail sales.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was 21/32 stronger at 95 28/32 to yield 7.073 per cent, while at the short end of the maturity spectrum, the two-year note was up 1/16 at 99 31/32, yielding 6.261 per cent. The December 30-year bond future rose 7/16 at 107 7/32.

The yield curve that maps the spread between two-year notes and the long bond steepened one basis point to 81 basis points.

The core producer price index – which excludes the volatile food and energy components – fell 0.1 per cent in August, providing investors with more evidence that inflationary pressures remain in check. Overall, producer prices rose 0.3 per cent as a result of sharp increases in food and energy prices.

Also heartening to investors was an unexpected rise in the number of people who filed first-time claims for unemployment benefits last week.

In spite of the benign figures, there was little change to the growing consensus on Wall Street that the Federal Reserve is likely to raise interest rates by a quarter point at the September 24 meeting of its Open Market Committee.

Mr Joseph Liro of CIBC Wood Gundy said that the data "takes some pressure off the Fed to raise rates on September 24, but we continue to maintain that a 'forward looking' Fed will take out an insurance policy to keep inflationary pressures in check".

■ Swedish bonds rallied sharply on bullish inflation data, outperforming all other markets.

The 6 per cent government bond due 2005 rose 1.37 points to close at 88.55, its yield falling 10 basis points, through the 8 per cent barrier, to end the day at 7.91 per cent. Short-term rates also fell, the yield on 6-month treasury bills falling 4 basis points to 4.89 per cent.

The Swedish statistics office revealed that consumer prices had fallen 0.4 per cent in August, surprising most analysts, who were expecting stable prices. The fall halved the annual rate of consumer price inflation from 0.6 per cent in July to 0.3 per cent, the lowest level in nearly four decades.

■ Italian bond traders were unnerved yesterday by rumours that the government was aiming at a parity of L1,020 against the D-Mark for the Lira's re-entry into the European exchange rate mechanism. By the time the rumour was officially denied, it had already taken its toll on the bond market. Liffe's December BTP future settled at 116.79, down 0.12, while in the cash market, the 10-year benchmark BTP lost 0.16 at 102.44, its yield spread over the equivalent bund widening 3 basis points to 301.

$1.4bn finance for Morocco project

By Richard Lapper

ABN Amro, Banque Nationale de Paris and Credit Suisse have been appointed to arrange up to $1.45bn of finance for an energy project in Morocco.

A consortium made up of ABB Energy Ventures, part of the Swiss-Swedish engineering group, and CMS Generation, a subsidiary of CMS Energy of the US, is developing a coal-fired power plant at Jorf Lasfar on Morocco's Atlantic coast.

The exact terms and maturity of the financing have still to be determined but the project has support from various export credit and multilateral agencies.

The consortium will construct and operate two new units, each producing at least 348MW, and operate two existing 330MW units at Jorf Lasfar. The power will be supplied to Morocco's National Electricity Office, marking the country's first private sector initiative in the power sector.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.8890	+0.320	8.08	8.24	8.08
Austria		6.250	06/06	99.2100	+0.080	6.26	6.33	6.32
Belgium		7.000	05/06	103.4700	+0.350	6.50	6.62	6.63
Canada *		7.000	12/06	97.0700	+0.350	7.41	7.53	7.27
Denmark		8.000	03/06	104.9400	+0.120	7.25	7.33	7.26
France	BTAN	5.500	10/01	100.2140	-	5.45	5.58	5.40
	OAT	7.250	04/06	106.8100	+0.150	6.30	6.44	6.31
Germany Bund		6.250	04/06	99.7200	+0.160	6.28	6.37	6.29
Ireland		8.000	08/06	103.9500	+0.530	7.42	7.62	7.53
Italy		9.500	02/06	102.4400	-0.160	9.10†	9.29	9.15
Japan	No 140	6.600	06/01	120.7164	-0.010	1.86	1.90	2.30
	No 182	3.000	09/05	100.5343	-0.110	2.93	3.02	3.28
Netherlands		8.500	06/06	116.2800	+0.180	6.21	6.30	6.27
Portugal		11.875	02/05	120.1000	+0.240	8.43	8.61	8.62
Spain		8.800	04/06	101.0800	-0.060	8.61	8.79	8.72
Sweden		6.000	02/05	88.5488	+1.370	7.91	8.17	8.18
UK Gilts		8.000	12/00	103-14	+4/32	7.04	7.08	7.02
		7.500	12/06	97-19	+8/32	7.84	7.90	7.78
		9.000	10/08	107-28	+9/32	7.97	8.02	7.89
US Treasury *		7.000	07/06	100-28	+21/32	6.86	6.95	6.49
		6.750	08/26	95-28	+23/32	7.08	7.13	6.76
ECU (French Govt)		7.500	04/05	105.1400	+0.150	6.69	6.81	6.74

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.28
Broker loan rate	7	Two month	-	Three year	6.45
Fed.funds	5⅛	Three month	5.28	Five year	6.65
Fed.funds at intervention	-	Six month	5.49	10-year	6.88
		One year	5.85	30-year	7.09

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	124.22	124.36	+0.14	124.44	124.20	136,860	90,139
Dec	122.74	122.84	+0.10	122.92	122.72	111,463	117,965
Mar	122.64	122.74	+0.10	122.80	122.64	4,685	12,766

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
120	-	-	-	0.02	-	0.23
121	-	-	2.21	0.04	0.21	0.36
122	1.86	-	-	0.11	0.40	0.65
123	0.95	-	0.90	0.42	-	1.05
124	0.26	0.84	0.48	-	-	-

Est. vol. total, Calls 12,083 Puts 14,645. Previous day's open int., Calls 108,894 Puts 103,926.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.15	97.22	+0.16	97.34	97.08	127877	199429
Mar	96.24	96.34	+0.16	96.24	96.24	92	1425

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9700	0.41	0.71	0.92	0.92	0.19	0.49	0.70	1.88
9750	0.16	0.45	0.66	0.72	0.44	0.73	0.94	1.98
9800	0.05	0.26	0.45	0.56	0.83	1.04	1.23	2.32

Est. vol. total, Calls 15208 Puts 12954. Previous day's open int., Calls 121037 Puts 128509

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	116.72	116.79	-0.12	116.95	116.66	39253	64848
Mar		116.14	-0.27			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11650	1.50	1.89	1.21	2.25
11700	1.22	1.87	1.43	2.53
11750	0.98	1.47	1.69	2.83

Est. vol. total, Calls 1687 Puts 13230. Previous day's open int., Calls 63366 Puts 84406

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	102.56	102.57	-0.05	102.74	102.42	66,842	47,865
Dec	102.04	102.04	-0.05	102.21	101.92	15,229	25,054

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-09	107-17	+0-09	107-20	107-09	3257	31595
Dec	106-19	106-26	+0-09	106-30	106-14	47449	97129

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
106	0-60	1-21	1-42	1-60	0-08	0-33	0-54	1-54
107	0-19	0-49	1-06	1-31	0-31	0-61	1-18	2-25
108	0-04	0-24	0-43	1-07	1-16	1-36	1-55	3-01

Est. vol. total, Calls 3594 Puts 1653. Previous day's open int., Calls 19572 Puts 17129

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	92.66	92.76	+0.14	92.82	92.66	2,139	4,304
Dec	90.70	90.82	+0.12	90.86	90.70	1,503	4,942

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	107-03	107-28	+0-17	107-28	107-03	12,670	71,667
Dec	106-26	107-11	+0-18	107-11	106-25	288,395	333,027
Mar	106-12	106-27	+0-14	106-28	106-12	2,675	17,033

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.23			121.31	121.17	1920	na
Mar	120.25			120.25	120.25	1	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Sep 12	Day's change %	Wed Sep 11	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	121.76	0.05	121.70	2.28	7.05
2 5-15 years (20)	147.93	0.13	147.74	3.08	7.20
3 Over 15 years (8)	161.22	0.20	160.90	2.89	8.84
4 Irredeemables (6)	185.66	0.25	185.19	4.18	7.36
5 All stocks (56)	142.46	0.12	142.30	2.79	7.51
Index-linked					
6 Up to 5 years (1)	200.60	0.04	200.51	3.39	4.43
7 Over 5 years (11)	189.32	0.14	189.06	1.29	3.43
8 All stocks (12)	189.45	0.14	189.19	1.34	3.44

	Low coupon yield Sep 12	Sep 11	Yr. ago	Medium coupon yield Sep 12	Sep 11	Yr. ago	High coupon yield Sep 12	Sep 11	Yr. ago
5 yrs	7.19	7.20	7.31	7.26	7.28	7.32	7.31	7.33	7.39
15 yrs	8.10	8.12	7.87	8.11	8.13	7.90	8.12	8.13	7.99
20 yrs	8.20	8.22	7.91	8.19	8.21	7.94	8.21	8.23	8.00
Irred.†	8.24	8.26	7.99						

	Inflation 5% Sep 12	Sep 11	Yr. ago	Inflation 10% Sep 12	Sep 11	Yr. ago
Up to 5 yrs	2.10	2.11	2.78	0.51	0.52	0.78
Over 5 yrs	3.70	3.71	3.81	3.50	3.51	3.30

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 12	Sep 11	Sep 10	Sep 9	Sep 6	Yr ago	High*	Low*
Govt. Secs. (UK)	92.89	92.86	92.76	92.63	92.79	94.91	96.34	91.59
Fixed Interest	112.93	112.87	113.07	112.96	112.97	113.63	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 11	Sep 10	Sep 9	Sep 6	Sep 5
Gilt Edged bargains	80.3	86.3	74.9	77.0	65.2
5-day average	76.7	74.9	74.0	71.0	71.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 12

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	96⅞	97	+⅛	7.09
ABN Amro Bank 7¼ 05	1000	98¾	99	+⅛	7.58
African Dev Bk 7⅝ 23	500	94⅝	95⅛	+½	7.86
Alberta Province 7⅝ 98	1000	102⅛	102⅜	+⅛	6.52
Asian Dev Bank 6¼ 05	750	94¼	94½	+⅛	7.24
[illegible]					
Sweden 8 97	2500	104⅞	105⅛	-⅛	3.57
United Kingdom 7¼ 97	5500	104	104		3.44
Volkswagen Intl Fin 7 03	1000	104⅛	104⅝	-⅛	6.18
World Bank 0 15	2000	32½	32⅞	+⅛	6.01
World Bank 5⅞ 03	3000	100⅜	100½	+¼	5.81
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100⅞	101⅛	+⅛	7.81
British Land 8⅞ 23 £	150	91⅛	91⅜	+¼	10.08
Denmark 6¾ 98 £	800	100½	100⅝	+⅛	6.46
Depfa Finance 7¼ 03 £	500	98⅛	98⅜	+⅛	7.85
EIB 8 03 £	1000	101⅞	102	+⅛	7.82
Glaxo Wellcome 8¾ 05 £	500	102½	102⅝	+¼	8.34
[illegible]					

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

مكتبة من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark weakness lifts US dollar and pound

By Graham Bowley

Hints from the Bundesbank that official German interest rates may be set to fall pushed the D-Mark lower on the foreign exchanges yesterday.

The dollar rallied after weaker than expected industrial inflation numbers boosted the US Treasury bond market.

The US currency's strength helped sterling bounce back after its losses earlier this week. It rallied to a two-month high against the D-Mark.

Mr Hans Tietmeyer, Bundesbank president, attempted to dispel worries among investors that the Maastricht criteria for European monetary union might not be applied in their strict form.

But traders said the German currency continued to be weighed down by these concerns in spite of Mr Tietmeyer's assurances.

Most other European currencies benefited from the D-Mark's weakness. The Swedish krona recorded especially large gains after data showed Sweden's annual inflation rate fell to 0.3 per cent, its lowest rate since 1959, boosting buying of Swedish bonds.

The exception to the trend was the Italian lira. It continued to weaken following comments on Wednesday by a Treasury minister that L1,020 was likely to be the lira's central rate if it were to re-enter the European exchange rate mechanism.

The dollar closed in London against the D-Mark at DM1.5122, from DM1.5098 at the previous close.

Against the yen, the dollar finished weaker at Y109.98, from Y110.25.

Sterling closed at $1.5553 against the dollar, from $1.5547.

Against the D-Mark the pound closed at DM2.3518, from DM2.3474.

The pound's trade-weighted index closed at 86.2 per cent of its 1990 value from 86.1 per cent at the previous finish.

■ Markets were still recovering yesterday from the dollar's sharp move higher earlier in the week. This move followed comments by Mr Tietmeyer who said at a G10 meeting that policymakers favoured a stronger dollar.

"We are still getting some repercussions from that move up, which caught everyone by surprise," said Mr Tony Norfield, treasury economist at ABN Amro in London.

Mr Norfield said the dollar's rise meant it now looked vulnerable to a setback against the yen. He said the US currency was now close to the year's high against the yen, although it was still significantly below its highs against the D-Mark.

"There is now little upside for the dollar against the yen," he said.

■ However, the outlook for greater dollar strength against the D-Mark may be brighter. This may especially be the case if there is further public support from government officials in Europe and in the US for a stronger dollar and hints of lower German rates to come.

Speculation about lower interest rates intensified yesterday after a Bundesbank council member said key German rates could fall more if economic conditions permitted.

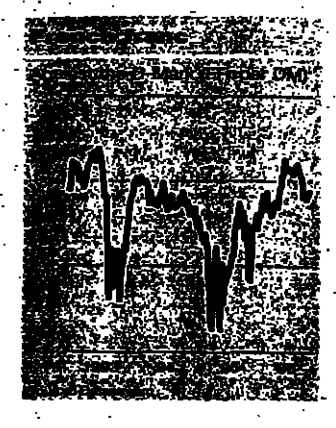
And momentum behind a higher dollar was strengthened by reports that Jean-Claude Trichet, governor of the Bank of France, told the French parliament's finance committee that the dollar still had room to rise against European currencies.

Mr Trichet also said the recent rise in the Italian lira had partly corrected its previous depreciation.

■ The US price data, which showed producer prices rose 0.3 per cent between July and August, painted a subdued picture of US inflation.

But analysts said it was not enough for them to decisively predict whether the Federal Reserve would now raise rates at its next open market committee meeting on September 24.

"It's still 50-50 whether the rate rise will come after the meeting or whether they will wait until after the presidential elections," Mr Norfield said.



■ Pound in New York

Sep 12	—Latest—	— Prev. close —
£ spot	1.5540	1.5565
1 mth	1.5544	1.5565
3 mth	1.5540	1.5557
1 yr	1.5558	1.5585

■ OTHER CURRENCIES

Sep 12	£	$
Czech Rp	41.3079 - 41.3856	26.5660 - 26.5660
Hungary	236.144 - 236.575	151.810 - 151.860
Iran	4667.40 - 4684.40	3000.00 - 3009.00
Kuwait	0.4664 - 0.4669	0.3000 - 0.3001
Poland	4.2270 - 4.2345	2.7180 - 2.7200
Russia	8360.18 - 8370.20	5377.00 - 5380.00
UAE	5.7108 - 5.7148	3.6729 - 3.6731

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POUND SPOT FORWARD AGAINST THE POUND

Sep 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5495	+0.032	398 - 592	16.5731	16.4941	16.5182	2.3	16.4432	2.6	-	-	105.0
Belgium	(BFr)	48.4165	+0.0853	895 - 632	48.4632	48.2770	48.3215	2.4	48.1315	2.4	47.3615	2.2	105.8
Denmark	(DKr)	9.0620	+0.0198	587 - 672	9.0736	9.0349	9.0482	1.8	9.0279	1.6	8.9201	1.6	107.7
Finland	(FM)	7.1067	+0.0090	003 - 130	7.1140	7.0680	7.1023	0.7	7.0942	0.7	-	-	84.9
France	(FFr)	8.0246	+0.0132	212 - 279	8.0414	8.0085	8.0103	2.1	7.9884	1.9	7.8795	1.8	108.4
Germany	(DM)	2.3518	+0.0045	505 - 531	2.3558	2.3438	2.3469	2.5	2.3372	2.5	2.295	2.4	108.7
Greece	(Dr)	374.477	+0.887	256 - 699	375.218	373.308	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9697	+0.0004	680 - 673	0.9678	0.9652	0.9692	0.6	0.966	0.7	0.9605	0.6	100.3
Italy	(L)	2378.34	+6.92	496 - 173	2378.90	2367.28	2381.89	-2.8	2391.74	-2.8	2424.24	-2.0	76.8
Luxembourg	(LFr)	48.4165	+0.0853	895 - 632	48.4632	48.2770	48.3215	2.4	48.1315	2.4	47.3615	2.2	105.8
Netherlands	(Fl)	2.6353	+0.005	340 - 366	2.6393	2.6274	2.6292	2.8	2.6172	2.7	2.5695	2.5	105.9
Norway	(NKr)	10.0783	+0.0105	697 - 808	10.0873	10.0456	10.0688	1.2	10.0486	1.0	9.9858	1.1	96.7
Portugal	(Es)	240.761	+0.451	605 - 916	241.072	240.062	241.186	-2.1	242.091	-2.2	-	-	95.4
Spain	(Pta)	198.503	+0.389	393 - 613	198.633	198.125	198.783	-1.6	199.278	-1.6	200.678	-1.1	80.5
Sweden	(SKr)	10.3940	+0.0219	845 - 053	10.4584	10.3739	10.3862	0.9	10.3663	0.9	10.3063	0.8	88.2
Switzerland	(SFr)	1.9224	+0.0047	210 - 237	1.9248	1.9137	1.9174	3.1	1.9086	3.3	1.8594	3.3	111.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	88.2
Ecu	-	1.2421	+0.0003	414 - 427	1.2438	1.2398	1.2408	1.3	1.2378	1.4	1.2245	1.4	-
SDR†	-	1.076900											
Americas													
Argentina	(Peso)	1.5551	+0.0006	545 - 556	1.5567	1.5534	-	-	-	-	-	-	-
Brazil	(R$)	1.5855	+0.0024	845 - 861	1.5866	1.5825	-	-	-	-	-	-	-
Canada	(C$)	2.1323	+0.0001	312 - 333	2.1362	2.1303	2.1316	0.4	2.1279	0.8	2.1139	0.8	84.1
Mexico	(New Peso)	11.7276	+0.0149	201 - 354	11.7365	11.7103	-	-	-	-	-	-	-
USA	($)	1.5553	+0.0006	548 - 558	1.5570	1.5536	1.5549	0.3	1.5549	0.1	1.5576	-0.1	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9528	+0.0124	516 - 540	1.9540	1.9425	1.9554	-1.8	1.9604	-1.8	1.9857	-1.7	94.2
Hong Kong	(HK$)	12.0259	+0.0047	212 - 305	12.0387	12.0137	12.0178	0.8	12.0082	0.7	11.8864	0.3	-
India	(Rs)	55.8021	+0.1769	731 - 310	55.9310	55.2731	-	-	-	-	-	-	-
Israel	(Shk)	4.9257	+0.0012	203 - 311	4.9335	4.9203	-	-	-	-	-	-	-
Japan	(Y)	171.052	-0.354	919 - 185	171.500	170.830	170.327	5.1	168.837	5.2	162.422	5.0	132.5
Malaysia	(M$)	3.8861	+0.0004	861 - 901	3.8916	3.8800	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2374	+0.0085	355 - 392	2.2393	2.2228	2.2424	-2.7	2.2519	-2.6	2.2857	-2.2	109.5
Philippines	(Peso)	40.7876	+0.0157	202 - 553	40.8553	40.7202	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8332	+0.0023	310 - 353	5.8394	5.8271	-	-	-	-	-	-	-
Singapore	(S$)	2.1925	-0.0004	910 - 940	2.1946	2.1910	-	-	-	-	-	-	-
South Africa	(R)	7.0012	+0.0322	950 - 073	7.0073	6.9712	-	-	-	-	-	-	-
South Korea	(Won)	1280.25	+3.06	976 - 073	1281.57	1277.42	-	-	-	-	-	-	-
Taiwan	(T$)	42.7630	+0.0204	415 - 845	42.8668	42.7128	-	-	-	-	-	-	-
Thailand	(Bt)	39.4821	+0.0315	655 - 987	39.5210	39.4430	-	-	-	-	-	-	-

† Rates for Sep 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6407	+0.0165	379 - 435	10.6600	10.6080	10.6212	2.2	10.5792	2.3	10.3957	2.3	105.0
Belgium	(BFr)	31.1300	+0.05	100 - 500	31.1800	31.0340	31.075	2.1	30.9675	2.1	30.465	2.1	108.5
Denmark	(DKr)	5.8265	+0.0105	250 - 280	5.8395	5.8105	5.819	1.5	5.802	1.7	5.733	1.6	107.1
Finland	(FM)	4.5693	+0.0046	657 - 719	4.5758	4.5378	4.5628	1.7	4.5506	1.6	4.5083	1.4	84.3
France	(FFr)	5.1595	+0.0065	580 - 600	5.1705	5.1490	5.152	1.8	5.138	1.7	5.069	1.8	107.9
Germany	(DM)	1.5122	+0.0024	118 - 125	1.5154	1.5068	1.5095	2.1	1.5037	2.2	1.4765	2.4	108.1
Greece	(Dr)	240.775	+0.465	710 - 840	241.450	239.950	242.45	-8.3	245.8	-8.3	259.775	-7.9	66.7
Ireland	(I£)	1.6000	-	994 - 005	1.6120	1.6085	1.6098	-0.4	1.6104	-0.4	1.6019	0.4	-
Italy	(L)	1527.90	+5.16	750 - 830	1529.50	1521.00	1530.65	-2.2	1540.8	-3.4	1568.55	-2.5	76.6
Luxembourg	(LFr)	31.1300	+0.05	100 - 500	31.1800	31.0340	31.075	2.1	30.9675	2.1	30.465	2.1	108.5
Netherlands	(Fl)	1.6944	+0.0025	941 - 947	1.6960	1.6881	1.691	2.4	1.6839	2.5	1.6522	2.5	105.5
Norway	(NKr)	6.4780	+0.0042	765 - 795	6.4877	6.4362	6.475	0.5	6.4665	0.5	6.433	0.7	96.0
Portugal	(Es)	154.800	+0.28	750 - 850	155.150	154.440	155.115	-2.4	155.705	-2.3	157.85	-2.0	95.5
Spain	(Pta)	127.630	+0.2	600 - 660	127.900	127.390	127.88	-2.4	128.31	-2.1	129.85	-1.7	80.2
Sweden	(SKr)	6.6830	+0.0165	790 - 881	6.7295	6.6650	6.6607	0.8	6.6651	-0.1	6.6601	0.4	88.4
Switzerland	(SFr)	1.2360	+0.0025	355 - 365	1.2383	1.2308	1.2325	3.4	1.225	3.6	1.1915	3.6	111.5
UK	(£)	1.5553	+0.0006	548 - 558	1.5570	1.5536	1.5549	0.3	1.5548	0.1	1.5575	-0.1	88.7
Ecu	-	1.2523	-0.0016	520 - 525	1.2553	1.2489	1.253	-0.7	1.2547	-0.6	1.2635	-0.9	-
SDR†	-	0.69230											
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0194	+0.0011	193 - 195	1.0195	1.0186	-	-	-	-	-	-	-
Canada	(C$)	1.3710	-0.0005	707 - 712	1.3727	1.3705	1.3708	0.1	1.3711	0.0	1.3729	-0.2	83.3
Mexico	(New Peso)	7.5405	-0.0125	380 - 430	7.5450	7.5380	7.702	-25.7	7.887	-18.4	9.8505	-28.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2555	+0.0075	552 - 560	1.2560	1.2537	1.2575	-1.9	1.261	-1.8	1.2787	-1.9	98.1
Hong Kong	(HK$)	7.7322	-	317 - 327	7.7327	7.7317	7.7329	-0.1	7.7347	-0.1	7.7617	-0.4	-
India	(Rs)	35.7500	+0.1	500 - 500	35.9500	35.5500	35.9	-5.0	36.205	-5.1	37.675	-5.4	-
Israel	(Shk)	3.1671	-0.0004	648 - 695	3.1707	3.1646	-	-	-	-	-	-	-
Japan	(Y)	109.980	-0.27	930 - 030	110.280	109.890	109.535	4.9	108.635	4.9	104.895	4.6	132.7
Malaysia	(M$)	2.4990	-0.0007	994 - 004	2.5012	2.4989	2.5006	-0.4	2.5069	-1.1	2.5304	-1.2	-
New Zealand	(NZ$)	1.4384	+0.0047	378 - 395	1.4393	1.4378	1.4415	-2.6	1.4473	-2.5	1.4718	-2.3	-
Philippines	(Peso)	26.2250	-	600 - 600	26.2600	26.1900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4097	-0.0008	092 - 102	1.4103	1.4080	1.4062	3.0	1.4022	2.7	1.3747	2.5	-
South Africa	(R)	4.5015	+0.019	990 - 040	4.5040	4.4850	4.549	-12.7	4.639	-12.2	4.9785	-10.6	-
South Korea	(Won)	823.150	+1.65	100 - 200	823.300	823.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.4950	+0.0025	900 - 000	27.5000	27.4900	27.5	-0.2	27.505	-0.1	-	-	-
Thailand	(Bt)	25.3855	+0.0105	830 - 880	25.3920	25.3800	25.4842	-4.7	25.688	-4.8	26.5705	-4.7	-

† SDR rate per $ for Sep 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 11: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

September 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅛	3⅛	3⅛	3⅜	6.00	2.50	-
week ago	3⅛	3⅛	3⅛	3⅛	3⅜	6.00	2.50	-
France	3⅝	3⅞	3⅞	3⅞	4⅛	3.35	-	4.75
week ago	3½	3⅞	3⅞	4⅛	4⅛	3.35	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3¼	4.50	2.50	3.00
week ago	2⅞	3⅛	3⅛	3⅛	3⅜	4.50	2.50	3.00
Ireland	5⅝	5⅜	5⅜	5⅜	5⅞	-	-	6.25
week ago	5⅛	5⅜	5⅞	6	6⅛	-	-	6.25
Italy	8⅛	8⅛	8⅛	8⅛	8⅛	-	8.25	8.39
week ago	8⅛	8⅛	8⅜	8⅜	8⅜	-	8.25	8.56
Netherlands	2¾	2¾	2¾	2⅞	3⅛	-	3.00	3.30
week ago	2⅞	2¾	2⅞	2⅞	3⅛	-	3.00	3.30
Switzerland	1¼	1⅞	2	2⅛	2⅜	-	1.50	-
week ago	1⅝	1⅞	2⅛	2¼	2¼	-	1.50	-
US	5⅛	5¼	5⅜	5⅞	6⅛	-	5.00	-
week ago	6¼	5¼	5⅞	5⅞	6¼	-	5.00	-
Japan	⅛	⅜	½	½	⅞	-	0.50	-
week ago	⅛	⅜	½	⅝	⅞	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5⅝	6⅛	-	-	-
week ago	-	5⅜	5⅞	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.16	5.34	5.50	5.83	-	-	-
week ago	-	5.16	5.34	5.52	5.89	-	-	-
ECU Linked Ds	-	4⅛	4¼	4⅛	4⅜	-	-	-
week ago	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅜	3⅝	-	-	-
week ago	-	3⅛	3⅛	3⅜	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3¼ - 3⅛	3⅜ - 3⅛
Danish Krone	3⅞ - 3⅝	3⅞ - 3⅝	3¾ - 3⅝	3⅞ - 3¾	3⅞ - 3⅝	4⅛ - 4⅛
D-Mark	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅛
Dutch Guilder	2⅞ - 2⅝	2⅞ - 2⅝	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞	3⅛ - 3⅛
French Franc	3⅝ - 3⅞	3⅝ - 3⅞	3⅝ - 3½	3⅞ - 3⅝	3⅞ - 3⅞	4⅛ - 3⅞
Portuguese Esc.	6⅞ - 6⅞	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛
Spanish Peseta	7⅜ - 7⅛	7⅛ - 7¼	7¼ - 7⅛	7⅛ - 7⅛	7⅛ - 6⅞	7⅛ - 6⅞
Sterling	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6
Swiss Franc	1½ - 1⅜	1¾ - 1⅝	2 - 1⅞	2⅛ - 2	2¼ - 2⅛	2⅜ - 2¼
Can. Dollar	4⅛ - 4	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 4	4⅜ - 4⅛	4⅞ - 4⅜
US Dollar	5⅝ - 6⅛	5⅝ - 5⅛	5⅞ - 5¼	5⅝ - 5⅞	5⅞ - 5⅞	6⅛ - 6
Italian Lira	8⅞ - 8	8⅝ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅝	8⅝ - 8¼	8⅞ - 8⅝
Yen	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	⅝ - ½	⅞ - ⅝
Asian $Sing	2⅞ - 2⅝	2⅞ - 2¾	3 - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.17	96.20	+0.05	96.21	96.15	18,679	42,115
Dec	96.01	96.05	+0.04	96.06	95.97	23,298	56,684
Mar	96.01	96.02	+0.02	96.04	95.98	13,095	38,837

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.87	96.88	+0.01	96.88	96.85	16037	154243
Dec	96.77	96.79	+0.02	96.80	96.77	30639	225300
Mar	96.63	96.66	+0.04	96.66	96.62	29868	208625
Jun	96.42	96.45	+0.04	96.47	96.41	20582	156507

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.55	91.53	-0.05	91.57	91.53	10086	32280
Dec	91.94	91.94	-0.04	91.97	91.93	12282	52861
Mar	92.26	92.24	-0.05	92.28	92.24	3993	26535
Jun	92.36	92.36	-0.04	92.38	92.36	1242	21573

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.90	97.94	+0.05	97.95	97.86	4703	22041
Dec	97.84	97.88	+0.04	97.90	97.84	7934	41956
Mar	97.72	97.74	+0.05	97.75	97.72	2581	15949
Jun	97.50	97.53	+0.05	97.54	97.50	1466	5522

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.27	99.27	-	99.28	99.27	155	na
Mar	99.07	99.07	-	99.07	99.07	70	na
Jun	98.88	98.87	-	98.88	98.86	150	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.71	95.73	+0.01	95.74	95.71	1348	8230
Dec	95.69	95.72	+0.02	95.73	95.69	818	6903
Mar	95.60	95.64	+0.02	95.64	95.60	117	3358
Jun	95.48	95.50	+0.04	95.50	95.45	140	2938

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.72	16.57	4.857	1.995	4907	5.442	20.80	497.1	410.0	21.46	3.969	2.065	4.403	3.211	353.2	2.565
Denmark	(DKr)	53.43	10	8.856	2.595	1.066	2622	2.908	11.11	265.6	219.0	11.47	2.121	1.104	2.353	1.716	188.7	1.371
France	(FFr)	60.34	11.29	10	2.931	1.204	2961	3.283	12.55	299.9	247.4	12.95	2.395	1.246	2.657	1.938	213.1	1.548
Germany	(DM)	20.59	3.853	3.412	1	0.411	1010	1.120	4.281	102.3	84.40	4.418	0.817	0.425	0.906	0.661	72.70	0.528
Ireland	(I£)	50.12	9.381	8.307	2.435	1	2460	2.728	10.42	249.2	205.5	10.76	1.990	1.035	2.207	1.610	177.0	1.286
Italy	(L)	2.038	0.381	0.338	0.099	0.041	100.	0.111	0.424	10.13	8.354	0.437	0.081	0.042	0.090	0.065	7.197	0.052
Netherlands	(Fl)	18.38	3.439	3.046	0.893	0.367	901.7	1	3.822	91.35	75.33	3.943	0.729	0.380	0.809	0.590	64.90	0.471
Norway	(NKr)	48.08	8.999	7.969	2.336	0.959	2359	2.617	10	239.0	197.1	10.32	1.909	0.993	2.117	1.544	169.8	1.233
Portugal	(Es)	20.12	3.765	3.334	0.977	0.401	987.1	1.095	4.184	100.	82.47	4.317	0.799	0.415	0.886	0.646	71.04	0.516
Spain	(Pta)	24.39	4.565	4.043	1.185	0.487	1197	1.327	5.073	121.3	100.	5.234	0.968	0.504	1.074	0.783	86.15	0.626
Sweden	(SKr)	46.60	8.722	7.724	2.264	0.930	2287	2.536	9.692	231.7	191.0	10	1.850	0.962	2.052	1.497	164.6	1.195
Switzerland	(SFr)	25.19	4.715	4.175	1.224	0.503	1236	1.371	5.239	125.2	103.3	5.406	1	0.520	1.109	0.809	88.97	0.646
UK	(£)	48.42	9.062	8.025	2.352	0.966	2378	2.635	10.07	240.7	198.5	10.39	1.922	1	2.132	1.555	171.0	1.242
Canada	(C$)	22.71	4.250	3.764	1.103	0.453	1114	1.236	4.723	112.9	93.11	4.873	0.902	0.469	1	0.729	80.21	0.583
US	($)	31.14	5.828	5.161	1.513	0.621	1528	1.695	6.476	154.8	127.7	6.682	1.236	0.643	1.371	1	110.0	0.799
Japan	(Y)	28.32	5.299	4.693	1.375	0.565	1389	1.541	5.889	140.8	116.1	6.076	1.124	0.585	1.247	0.909	100.	0.726
Ecu		38.98	7.296	6.461	1.894	0.778	1913	2.122	8.108	193.8	159.8	8.366	1.548	0.805	1.717	1.252	137.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6621	0.6621	-0.0005	0.6631	0.6609	8,311	35,980
Dec	0.6663	0.6652	-0.0005	0.6676	0.6649	31,684	48,558
Mar	0.6696	0.6696	-0.0019	0.6708	0.6696	59	1,138

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9077	0.9099	+0.0021	0.9104	0.9063	13,326	38,105
Dec	0.9195	0.9216	+0.0020	0.9222	0.9178	35,497	67,909
Mar	0.9330	0.9343	+0.0021	0.9343	0.9330	228	934

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8094	0.8104	--	0.8115	0.8091	4,721	20,915
Dec	0.8176	0.8174	-0.0001	0.8194	0.8162	21,360	29,397
Mar	0.8242	0.8242	-0.0010	0.8253	0.8242	152	929

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5552	1.5552	-0.0004	1.5562	1.5540	4,326	32,489
Dec	1.5552	1.5548	-0.0004	1.5560	1.5534	7,031	35,520
Mar	1.5584	1.5584	-0.0002	1.5584	1.5584	5	50

UK INTEREST RATES

LONDON MONEY RATES

Sep 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5	5 17/32 - 5 11/32	5 13/32 - 5 11/32	5 13/32 - 5 11/32	5⅞ - 5¾	6⅛ - 6
Sterling CDs	-	-	5¾ - 5 11/16	5¾ - 5 11/16	5¾ - 5 11/16	5 31/32 - 5 29/32
Treasury Bills	-	-	5 23/32 - 5 21/32	5 9/16 - 5½	-	-
Bank Bills	-	-	5 21/32 - 5⅝	5⅝ - 5 19/32	5⅝ - 5 19/32	-
Local authority deps.	5⅝ - 5½	5 11/16 - 5 9/16	5 11/16 - 5 9/16	5¾ - 5⅝	5¾ - 5⅝	5 15/16 - 5 13/16
Discount Market deps	5⅞ - 5½	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Sep 6, 5.5345pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.825pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.17	94.16	-0.01	94.17	94.15	8045	82780
Dec	94.16	94.18	-	94.20	94.15	16985	112735
Mar	94.00	94.02	+0.02	94.04	93.97	15749	83569
Jun	93.67	93.69	+0.03	93.70	93.65	8448	69709
Sep	93.32	93.34	+0.04	93.35	93.30	3016	40695

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.16	0.24	0.24	0	0.06	0.22
9425	0.01	0.09	0.12	0.10	0.16	0.35
9450	0	0.02	0.05	0.34	0.34	0.53

Est. vol. total, Calls 872 Puts 7780. Previous day's open int., Calls 160160 Puts 154004

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75	* In administration	
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

EMS EUROPEAN CURRENCY UNIT RATES

Sep 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.784859	-0.002105	-0.93	2.73	6
Spain	162.493	161.290	-0.015	-0.74	2.54	5
Netherlands	2.15214	2.14158	+0.00122	-0.49	2.28	4
Belgium	39.3960	39.3405	+0.002	-0.14	1.92	1
Portugal	195.792	195.828	+0.121	-0.08	1.87	1
Germany	1.91007	1.91067	+0.0012	0.03	1.75	-0
Austria	13.4383	13.4454	-0.0082	0.05	1.73	-0
Denmark	7.28580	7.36381	+0.00113	1.07	0.70	-7
France	6.40608	6.52003	-0.00187	1.78	0.00	-15
NON ERM MEMBERS						
Greece	292.867	304.154	+0.209	3.85	-2.00	-
Italy	2106.15	1928.45	+2.32	-8.44	11.16	-
UK	0.786652	0.812010	-0.002179	3.22	-1.40	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.540	1.52	1.80	2.22	-	0.25	0.58
1.550	0.58	1.12	1.60	-	0.56	1.06
1.560	0.13	0.61	1.11	0.45	1.06	1.58
1.570	0.05	0.28	0.72	1.35	1.72	2.17
1.580	0.05	0.09	0.44	2.36	-	-

Previous day's vol., Calls 5,314 Puts 4,181. Prev. day's open int., Calls 176,191 Puts 159,878

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.35	94.36	+0.02	94.37	94.34	54,716	302,972
Dec	93.94	93.99	+0.05	94.02	93.93	74,459	475,227
Mar	93.78	93.84	+0.07	93.86	93.77	36,198	341,592

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	-	94.85	-	-	94.84	621	1,557
Dec	94.55	94.60	+0.06	94.61	94.55	186	3,908
Mar	94.37	94.37	-	94.37	94.37	112	1,955

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
9675	0.13	0.08	0.10	0.01	0.06	0.09
9700	0	0.01	0.02	0.12	0.23	0.24
9725	0	0	0.01	0.37	0.46	0.46

Est. vol. total, Calls 14386 Puts 3434. Previous day's open int., Calls 433584 Puts 358072

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9800	0.01	0.10	0.14	0.07	0.22	0.40
9825	0	0.04	0.07	0.31	0.41	0.58

Est. vol. total, Calls 6 Puts 100. Previous day's open int., Calls 9423 Puts 8460

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9150	0.06	0.54	0.65	0.02	0.11	0.24
9175	0	0.36	0.65	0.22	0.17	0.33
9200	0	0.22	0.46	0.47	0.28	0.24

Est. vol. total, Calls 7419 Puts 3880. Previous day's open int., Calls 101624 Puts 46204

Rising trend forecast for LME metal prices

By Kenneth Gooding, Mining Correspondent

Prices of London Metal Exchange traded metals will be volatile and be on a rising trend for at least the next 18 months, predicted Mr Phillip Crowson, chief economist at RTZ-CRA, the world's biggest mining company, yesterday. Nevertheless, although copper would not be immune to this trend, its price was likely to average 80 to 90 US cents a pound next year ($1,763 to $1,984 a tonne) which was below the industry's marginal costs and should lead to closures of some high cost mines.

Mr Crowson, speaking after RTZ-CRA announced its interim results, said global economic growth in the coming 18 months would be healthier than in the past year and that would translate into rising demand for minerals and metals.

The ratios of stocks to consumption of non-ferrous metals were well below recessionary levels and stocks of other minerals were reasonably well balanced.

He added: "There will be no massive unexpected surges in supply, such as the increased exports from the former Soviet Union which exacerbated the impact of the early-1990s recession on many products. If anything, exports from Russia and the other successor republics are likely to fall rather than rise in coming years."

This was particularly important for the aluminium industry which had been forced to close capacity as the west absorbed the Russian metal. He suggested that much of the closed capacity was likely to remain that way until aluminium prices had hardened and stocks been reduced. This would produce a supply deficit and a reaction in the aluminium price which he saw averaging $1,600 to $1,700 a tonne next year.

The zinc market had seen supply deficits for the past two years so a price 20 per cent above the present LME level "would not be unreasonable" next year. Lead was also "reasonably healthy" and the average in 1997 should be 10 to 15 per cent above today's level.

The tin market was heavily influenced by China but, unless something untoward came from that direction, the average price should be 10 to 15 per cent above the 1996 level next year.

"The broad conclusion is that the underlying forces of supply and demand will ensure gradually tightening market conditions for most products in the closing months of 1996 and into 1997. This tightening should be increasingly reflected in prices, especially for products traded on terminal markets," said Mr Crowson. Trading conditions for industrial minerals and bulk commodities should move in step, "but their precise movements will be dependent on varying regional circumstances and differing stock levels and lags."

Some speculators might have been driven away from the LME by the Sumitomo affair but, "metal markets may again appear attractive in coming months with equity and bond prices cyclically strong while metal prices have weakened."

Finish in sight for Nigerian gas project

After three decades in development the Escravos plant should soon become the country's first gas exporter, writes **Paul Adams**

The Escravos gas project has taken three decades to get from initial plans to the current level of construction but the operator Chevron, in partnership with the Nigerian National Petroleum Corporation, is now only a matter of months from becoming Nigeria's first gas export scheme.

Even now the $569m project is facing the funding and marketing risks that since the 1960s have prevented gas from becoming an even bigger industry in Nigeria than oil.

"Until now I didn't know we had a budget problem," said Mr Fred Nelson, Chevron's project manager, on his latest site visit. But halfway through the year the finance ministry has cut the budget of Chevron's majority partner, state-owned Nigerian National Petroleum Corporation, which has to contribute 60 per cent of this year's $240m investment in the gas project.

Chevron says that the cuts will probably come out of drilling by the joint venture's oil operation, which is the third largest in Nigeria, producing 400,000 barrels a day, as it is already committed to its costs at Escravos.

"It is not smart money to slow down a project contractor at this stage – most of the equipment is already here or on its way," says Mr Nelson. Outside his office, close to Chevron's terminal near Warri in the Niger delta, big metal globes stick out of the gleaming sand dredged from the Escravos river, and all around contractors from Europe, Japan and the US are busy laying pipes and assembling heavy equipment.

At present the country flares enough gas to provide power for a small industrial country

The gas compression platform is being fabricated in the US by ABB Lummus Crest and a high-tech floating storage and offloading vessel, which is the first in the world to be purpose built for Liquefied Petroleum Gas, is in the dry dock at IHI's shipyard in Nagoya, Japan. The vessel will offload about 7,000 barrels a day of LPG straight on to export tankers.

Problems in financing joint ventures with NNPC are not new. In 1994 arrears by NNPC to the six multinational operators reached nearly $1bn.

To avoid these problems Nigeria's other two big gas projects are funded on the back of guaranteed export revenue. Shell, with offshore partners Elf and Agip, have taken a controlling stake in the LPG plant at Bonny in eastern Nigeria and funded nearly all of it in cash before starting.

Mobil also has 51 per cent of the equity in the Oso phase two project, also under construction at Bonny, producing Natural Gas Liquids for export and, for the first time in Nigeria, has raised $300m in commercial bonds backed by future gas sales to finance part of the investment.

Escravos lacks a deep river channel necessary for a big liquefaction plant, which in turn is the only way to produce exports, apart from the small amount of LPG that is to be sold for export through Chevron USA. So the main output from the Escravos project is natural gas, which as yet cannot be exported. The local market is undeveloped and the marketing is still uncertain. Nigeria has very few pipelines to get gas to the users – a few factories and power stations around Lagos and Port Harcourt – and most consumers rely on cheap petrol, diesel and kerosene or erratic supplies of electricity.

The producer has to sell all its gas to the Nigerian Gas Company, part of the NNPC group, whose dispute with another state monopoly, the Nigerian Power Authority, has further worsened the outlook for the industrial gas market. Chevron will supply 150m cubic feet a day of natural gas from next May to NGC and is trying to negotiate a better price than the 8 US cents per thousand cubic feet of gas the pays producers at present.

"That is practically giving it away," says Mr Nelson of Chevron, which gets over $2 per thousand cubic feet for the commodity in the US. "This is a gas project which is not driven by gas."

What drives it is the need to reduce the huge waste of gas, enough to provide power for a small industrial country, which is flared at Nigeria's oil fields by the six big operators because they have no market for the gas, and pay minimal penalties for flaring.

Apart from the waste of resources, flaring pollutes the atmosphere and local inhabitants complain about the side-effects. All over the Niger delta resentment among communities, who see little benefit from Nigeria's main source of revenue, has erupted into violent clashes with oil workers, sabotage and disruption to production and led to political militancy. Although Chevron has a smaller operation than Royal Dutch Shell, which has borne the brunt of the problems, and has only a third of its production onshore, all the operators are trying to make better use of Nigeria's gas.

That is why Chevron/NNPC are spending $569m to put out three flares in the nearby Okan and Mefa fields. The Escravos plant will have surplus capacity so that it can add much more gas from other fields, ideally putting out flares on land.

But to finance this Chevron needs commercial outlets for the gas. Without a coherent energy policy in Nigeria the best prospect for gas is still export.

Chevron has set its sights on the West African gas pipeline project, which would supply natural gas from Nigeria to their neighbours Ghana, Togo and Benin. Talk between governments has produced no clear direction and Chevron have formed an alliance with power group ABB to promote a private sector role and ensure that the project takes off.

UN tropical timber pact set to come into effect

By Frances Williams in Geneva

Producers and consumers of tropical timber meet today in Geneva to agree the entry into force of the 1994 International Tropical Timber Agreement. The pact was due to come into force in February 1995 but did not do so because key countries failed to ratify on time.

Negotiated in January 1994 under the auspices of the United Nations Conference on Trade and Development, the accord aims to promote sustainable management of tropical forests. It also sets up a fund, known as the "Bali Partnership Fund", to help tropical timber producers meet forest conservation objectives.

Entry into force was made conditional on ratification by 12 producing countries with a voting weight of at least 55 per cent, and 16 consumer nations with a minimum combined voting weight of 70 per cent.

For producers this requirement has now been met, with ratifications by 18 countries accounting for nearly two-thirds of votes. Some 17 consumer countries have also ratified but their voting weight is slightly short of the target.

Votes are based on a complex formula that takes into account a country's tropical forest resources and trade in tropical timber.

The US, the third biggest importer of tropical timber, has signed the agreement but has not yet ratified. Brazil, the third biggest exporter, has neither signed nor ratified.

MARKET REPORT

Copper leads general fall in base metals prices

COPPER prices lurched lower on the London Metal Exchange yesterday with Wednesday's break below $1,900 followed by fresh technical sales and liquidation.

Traders said the market was hit by bearish sentiment, given the speed at which the three months delivery price had fallen from the early September peak of $2,165 a tonne, and further losses were on the cards.

"It is on a bit of a knife-edge at the moment," said one. "It was protected to some extent between $1,850/60, but short-term we see it testing $1,825 and $1,800."

Three months ALUMINIUM reached another two-year low, hitting $1,429 a tonne at one point, although it was noticeable that there was some buying interest attracted by the extent of the decline this week.

Levels under $1,430 sparked some covering and the price ended after hours "kerb" trading at $1,435, down $3.50 from Wednesday.

NICKEL followed the trend and continued to retrace from Wednesday's 2½-month peaks, although there was caution over a brief stoppage at Russia's Norilsk smelter on Thursday.

Traders said that and the fact that Inco labour talks were reaching a crucial point in Manitoba suggested that the immediate downside was protected. The three months trade was at $7,560 a tonne, down $75.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1395.5-96.5	1430-31
Previous	1407-08	1442-43
High/low		1436/1426
AM Official	1399-400	1434-34.5
Kerb close		1434-35
Open int.	204,426	
Total daily turnover	69,039	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1205-10	1240-42
Previous	1210-13	1245-50
High/low		1247/1240
AM Official	1215-20	1245-47
Kerb close		1240-44
Open int.	4,979	
Total daily turnover	1,054	

■ LEAD ($ per tonne)

Close	807-808	810.5-11.0
Previous	809-10	813-4
High/low	810	815/810
AM Official	810-10.5	813-14
Kerb close		814-15
Open int.	35,396	
Total daily turnover	6,389	

■ NICKEL ($ per tonne)

Close	7400-10	7505-10
Previous	7510-20	7615-20
High/low	7455	7580/7501
AM Official	7455-65	7550-60
Kerb close		7550-60
Open int.	39,424	
Total daily turnover	7,738	

■ TIN ($ per tonne)

Close	6075-85	6130-40
Previous	6140-50	6195-200
High/low		6185/6135
AM Official	6090-100	6150-55
Kerb close		6140-45
Open int.	15,182	
Total daily turnover	3,996	

■ ZINC, special high grade ($ per tonne)

Close	983.5-84.5	1010-11
Previous	983-4	1010-11
High/low		1017/1005
AM Official	986.5-87.0	1012-13
Kerb close		1016-17
Open int.	68,590	
Total daily turnover	18,871	

■ COPPER, grade A ($ per tonne)

Close	1862.5-64.5	1852-53
Previous	1925-27	1913-14
High/low		1885/1850
AM Official	1885-86	1874-75
Kerb close		1851-52
Open int.	190,434	
Total daily turnover	79,094	

■ LME AM Official £/$ rate: 1.5550
LME Closing £/$ rate: 1.5565

Spot: 1.5536 3 mths: 1.5531 6 mths: 1.5543 9 mths: 1.5555

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	87.00	-1.40	88.80	86.40	588	4,785
Oct	86.50	-1.15	87.40	86.20	116	2,080
Nov	86.20	-1.20	87.15	86.30	15	1,451
Dec	85.90	-1.25	87.40	84.50	6,478	25,429
Jan	85.65	-1.10	86.60	85.20	5	1,055
Feb	85.35	-1.00	86.30	84.50	22	808
Total					7,795	55,008

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.90-382.20		
Opening	382.00-382.30		
Morning fix	382.20	245.630	471.253
Afternoon fix	382.10	245.581	471.741
Day's High	382.55-382.85		
Day's Low	381.60-381.90		
Previous close	383.50-383.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.03	6 months	3.92
2 months	4.01	12 months	4.00
3 months	4.00		

Silver Fix	p/troy oz.	US cts equiv.
Spot	326.70	508.25
3 months	331.15	514.85
6 months	335.20	521.60
1 year	343.75	535.55

Gold Coins	$ price	£ equiv.
Krugerrand	385-389	248-250
Maple Leaf	388.65-391.15	
New Sovereign	86-90	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	382.3	-0.7	383.3	383.2	260	100
Oct	383.0	-0.8	383.2	383.2	269	9,757
Dec	385.6	-0.8	386.4	384.8	20,666	100k
Feb	388.3	-0.8	389.7	387.2	63	12,652
Apr	390.5	-1.0	390.7	390.0	40	8,870
Jun	393.2	-1.1	393.0	393.0	36	11,156
Total					22,986	157,362

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	391.5	-1.4	393.5	391.2	3,204	17,895
Jan	393.8	-1.6	395.0	393.5	733	4,710
Apr	396.1	-1.9	398.0	396.0	74	4,544
Jul	399.1	-1.9	400.0	400.0	242	582
Oct	402.6	-1.9	408.0	408.0	10	16
Total					4,253	27,747

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	122.40	+0.05	123.00	123.00	24	80
Dec	123.65	+0.05	123.75	122.55	429	7,726
Mar	124.65	+0.05	126.50	126.00	19	159
Jun	125.70	+0.05	126.00	126.00	-	111
Total					433	8,858

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	499.2	-7.9	504.0	498.0	47	244
Oct	500.8	-7.9	-	-	-	-
Dec	506.0	-8.0	513.5	503.0	12,258	61,506
Jan	508.9	-8.1	-	-	-	24
Mar	514.0	-8.1	520.0	511.0	156	10,426
May	519.1	-8.2	521.0	518.0	271	6,351
Total					13,812	88,023

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	24.70	-0.05	25.30	24.28	44,546	88,810
Nov	24.07	+0.02	24.57	23.65	30,339	56,434
Dec	23.37	+0.02	23.83	23.05	15,150	56,455
Jan	22.65	-0.03	23.10	22.40	8,757	33,615
Feb	22.04	-0.08	22.50	21.85	5,804	24,637
Mar	21.52	-0.09	21.87	21.40	2,832	16,175
Total					118,881	401,898

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	23.68	+0.10	24.39	23.35	17,020	28,447
Nov	22.85	+0.08	23.60	22.59	24,579	62,634
Dec	22.22	+0.05	22.81	21.96	10,333	30,016
Jan	21.49	-	22.08	21.28	4,582	18,586
Feb	20.87	+0.03	21.37	20.78	1,405	8,848
Mar	20.35	-	20.74	20.35	1,047	7,846
Total					58,476	169,026

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	68.65	+0.46	69.80	67.80	14,807	37,591
Nov	68.45	+0.30	69.60	67.55	8,969	22,418
Dec	68.00	+0.20	69.10	67.20	5,980	28,421
Jan	66.80	+0.10	67.75	66.10	2,771	16,060
Feb	64.75	+0.05	65.75	64.00	830	8,409
Mar	61.55	-0.10	62.75	61.40	973	4,847
Total					33,985	135,040

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	219.50	-2.25	226.75	223.00	2,853	2,696
Oct	219.50	+3.00	225.00	215.50	14,042	24,556
Nov	212.75	+2.00	217.50	210.50	3,912	13,491
Dec	208.75	+2.00	211.00	204.25	4,277	16,412
Jan	200.00	+0.75	204.50	198.75	1,554	7,847
Feb	192.75	+3.00	197.00	194.50	292	1,724
Total					27,657	78,717

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.825	+0.019	1.855	1.775	16,367	32,329
Nov	2.015	-0.015	2.050	1.990	8,383	21,862
Dec	2.190	-0.020	2.240	2.170	3,599	18,369
Jan	2.250	-0.010	2.280	2.230	1,449	14,552
Feb	2.185	-0.001	2.220	2.160	1,405	8,370
Mar	2.080	-0.010	2.120	2.080	721	6,604
Total					34,373	143,089

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	65.60	-0.31	67.00	64.80	13,359	26,773
Nov	64.65	-0.14	65.70	63.90	5,938	11,537
Dec	63.50	+0.04	64.50	62.70	1,317	6,058
Jan	62.50	-0.06	63.15	61.80	283	5,632
Feb	61.70	-	61.70	61.40	104	1,809
Mar	62.00	-	62.00	62.00	27	1,089
Total					21,460	58,387

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	102.50	-1.40	103.00	103.00	4	113
Nov	104.50	-1.25	105.05	104.50	684	2,188
Jan	106.50	-1.20	107.60	106.40	279	2,100
Mar	108.15	-1.45	108.85	108.25	188	1,191
May	110.15	-1.30	110.75	110.15	91	863
Jul	112.50	-1.20	112.85	112.50	19	128
Total					1,261	6,583

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	438.00	-6.00	444.50	438.00	1,055	2,176
Dec	434.50	-3.00	437.50	430.50	15,021	45,899
Mar	428.50	-2.25	431.00	425.00	1,500	11,271
May	413.00	+1.00	413.00	408.00	207	810
Jul	388.50	+2.75	387.00	380.00	531	4,417
Sep	387.00	-1.00	390.00	-	50	93
Total					18,364	64,680

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	365.25	+4.50	365.50	361.00	5,009	10,727
Dec	330.00	+3.25	330.50	325.25	63,353	188,208
Mar	338.00	+3.00	338.50	334.00	10,419	48,751
May	343.75	+2.25	344.50	340.50	4,630	19,682
Jul	344.25	+2.00	344.50	341.50	1,513	12,835
Sep	321.50	+3.50	321.00	318.00	75	1,650
Total					86,727	281,528

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	97.80	-0.65	-	-	30	83
Nov	100.20	-0.20	100.25	100.10	107	939
Jan	101.75	-0.15	101.75	101.70	60	553
Mar	103.70	-0.30	-	-	-	160
May	106.00	-	-	-	-	60
Total					197	1,795

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	835.75	+4.25	837.00	827.50	1,645	3,599
Nov	814.50	+9.50	815.00	800.50	61,026	127,315
Jan	821.25	+9.25	822.00	807.00	5,114	24,663
Mar	827.00	+10.25	827.00	815.00	1,822	13,905
May	824.75	+9.00	825.00	814.50	1,243	13,038
Jul	824.75	+9.75	825.00	814.50	1,376	10,279
Total					72,701	197,408

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	25.89	+0.50	25.90	25.42	4,439	3,106
Oct	25.96	+0.40	26.07	25.50	8,512	14,343
Dec	26.44	+0.44	26.55	25.88	16,207	42,585
Jan	26.70	+0.45	26.80	26.27	984	7,536
Mar	27.03	+0.47	27.10	26.55	496	7,108
May	27.25	+0.51	27.25	26.72	936	5,282
Total					31,729	81,881

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	275.6	+2.1	275.8	271.9	2,680	7,129
Oct	265.5	+1.9	265.7	261.9	8,045	19,551
Dec	261.3	+1.7	261.7	257.8	13,954	44,159
Jan	259.6	+2.3	259.8	256.3	918	7,426
Mar	257.2	+1.2	257.5	254.6	1,380	8,561
May	254.4	+1.6	254.3	251.7	1,089	5,809
Total					28,826	95,717

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	40.0	-20.0	-	-	-	-
Mar	75.0	-	-	-	-	-
Apr	79.0	+0.5	71.5	68.0	118	1,115
May	78.5	-	-	-	2	17
Jun	85.0	-	-	-	-	-
Total					118	1,132

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1030	-23	1050	1020	118	771
Oct	1135	-28	1160	1134	174	1,447
Nov	1206	-17	1215	1202	121	237
Jan	1230	-8	1235	1227	92	893
Apr	1240	-6	1240	1240	10	243
Jul	1108	-7	1105	1105	-	27
Total					529	3,680

	Close	Prev
BFI	1036	1046

FUTURES DATA
All futures data supplied by CMS.

Wool

Prices at auction this week were distinctly softer, the Australian markets in particular continuing the downward trend that appeared last week after a period of relative strength. The Eastern market indicator was down 18 cents on the week to 589 cents per kg, while the western market lost 11 cents to 531. The New Zealand sale saw pockets of strength, notably for some Merino fleece and crossbred oddments and crutchings, but again the overall market indicator fell, by 4 cents to 476 cents per kg. In contrast, prices were fully firm at the sale of British wool in Bradford. On the positive side, prices are better than they were a year ago, and the pipeline is relatively clear followingh the reduction of intermediate stocks.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	960	+17	953	946	84	1,639
Dec	986	+15	986	969	1,975	38,963
Mar	1005	+15	1006	990	1,498	41,235
May	1015	+11	1016	1007	181	21,534
Jul	1030	+10	1030	1026	126	11,452
Sep	1048	+9	1047	1044	85	3,933
Total					4,084	141,376

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1342	+20	1344	1325	11	106
Dec	1363	+20	1369	1347	3,035	32,878
Mar	1393	+14	1402	1383	320	17,028
May	1412	+14	1416	1402	53	8,172
Jul	1428	+14	1429	1429	23	5,996
Sep	1445	+14	1431	1431	21	5,485
Total					3,463	78,624

■ COCOA (ICCO) (SDR's/tonne)

Sep 11	Price	Prev. day
Daily	1009.51	1011.48

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1583	-15	1590	1570	209	1,910
Nov	1521	-24	1540	1518	3,050	13,551
Jan	1474	-19	1489	1486	1,336	6,491
Mar	1430	-24	1449	1425	1,168	3,797
May	1415	-19	1440	1425	58	892
Jul	1401	-21	1423	1423	21	187
Total					5,789	26,828

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	114.85	-2.30	118.75	114.50	303	278
Dec	105.20	-1.70	108.00	104.90	9,607	16,347
Mar	101.35	-2.05	103.75	101.00	1,460	5,826
May	101.35	-2.15	103.75	101.20	108	1,774
Jul	101.40	-1.60	103.75	101.90	21	553
Sep	101.40	-1.60	106.30	106.30	-	167
Total					11,521	25,094

■ COFFEE (ICO) (US cents/pound)

Sep 11		Prev. day
Comp. daily	97.24	99.63
15 day average	102.98	103.40

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	346.3	+0.7	348.5	345.1	1,757	2,261
Dec	342.8	+0.3	343.1	341.6	1,031	7,824
Mar	340.9	-0.3	341.6	340.0	540	8,425
May	339.7	+0.4	339.5	338.5	154	3,309
Aug	338.9	+0.8	338.7	337.7	56	1,147
Oct	328.5	+1.5	327.6	327.3	31	842
Total					3,589	23,823

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.89	-0.07	12.00	11.85	10,596	64,843
Mar	11.67	+0.01	11.69	11.56	5,777	58,728
May	11.48	-0.01	11.49	11.39	1,899	19,862
Jul	11.13	+0.02	11.17	11.08	882	14,023
Oct	11.02	+0.02	11.04	10.98	594	9,404
Mar	10.88	+0.02	10.85	10.85	258	1,599
Total					19,986	168,678

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.81	-0.09	75.30	73.80	314	5,372
Dec	75.96	-0.11	76.47	75.25	3,476	29,404
Mar	76.90	-0.35	77.50	76.40	846	8,805
May	77.75	-0.37	78.25	77.20	429	6,627
Jul	78.40	-0.30	78.85	78.00	135	4,708
Oct	78.20	-	78.60	78.20	14	994
Total					6,065	59,782

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	114.70	-3	119.00	115.25	251	605
Nov	108.00	+0.20	108.80	105.25	768	8,892
Jan	105.80	-0.40	107.00	105.55	242	5,588
Mar	107.80	-0.75	109.00	107.80	300	2,269
May	109.80	-0.75	110.50	109.80	17	571
Jul	111.80	-0.75	110.00	110.00	2	198
Total					1,327	18,881

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 12	Sep 11	month ago	year ago
1927.1	1937.2	1945.0	2114.0

■ CRB Futures (Base: 1967=100)

Sep 11	Sep 10	month ago	year ago
247.22	348.14	-	-

■ GSCI Spot (Base: 1970=100)

Sep 11	Sep 10	month ago	year ago
204.31	202.90	201.01	181.85

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	73.175	+0.45	73.200	72.600	9,958	35,094
Dec	68.600	+0.1	68.750	68.325	6,504	26,673
Feb	65.450	+0.1	65.600	65.300	2,811	14,451
Apr	67.050	-	67.150	66.950	472	6,322
Jun	64.975	+0.05	65.075	64.950	218	3,014
Aug	64.975	-	65.075	64.900	256	3,143
Total					20,232	98,787

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	55.400	+0.5	55.750	54.700	3,521	10,303
Dec	56.450	+0.525	56.600	55.550	4,172	12,807
Feb	75.950	-	76.000	75.000	618	4,417
Apr	72.975	-0.1	73.050	72.400	89	1,721
Jun	78.025	-0.15	78.100	77.350	110	1,891
Jul	75.800	-0.125	75.800	75.100	10	370
Total					8,532	31,369

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	78.975	+1.425	79.550	77.200	1,452	4,790
Mar	78.850	+1.225	79.450	77.350	141	944
May	80.300	+1.3	80.000	78.300	43	316
Jul	80.125	+0.725	80.100	78.900	11	81
Aug	77.900	+0.1	77.250	77.250	3	25
Total					1,641	76,158

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1300	109	152	1	10
1400	23	80	14	36
1500	1	34	91	89
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1700	158	184	8	54
1800	83	126	32	95
1900	34	82	84	150
■ COFFEE LCE	Nov	Jan	Nov	Jan
1600	34	57	113	183
1650	22	46	151	222
1700	14	36	193	262
■ COCOA LCE	Dec	Mar	Dec	Mar
975	48	67	37	37
1000	37	54	51	49
1025	27	43	66	63
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
2200	-	-	-	-
2250	-	-	-	-
2300	10	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$21.13-1.23	+0.210
Brent Blend (dated)	$23.29-2.34	+0.065
Brent Blend (Oct)	$23.64-3.69	+0.235
W.T.I.	$24.72-4.74	+0.110

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$220-222	+1
Gas Oil	$226-228	+4
Heavy Fuel Oil	$113-115	-0.5
Naphtha	$208-210	+2
Jet fuel	$254-256	+2
Diesel	$236-238	+3

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	14.60-14.80	+0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

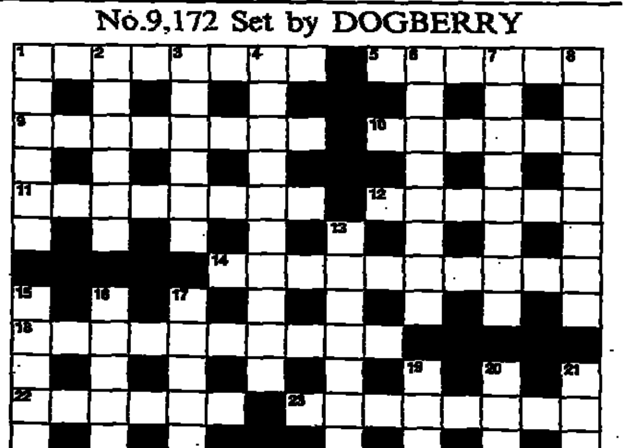
Gold (per troy oz)♣	$382.05	-1.60
Silver (per troy oz)♣	502.00c	-11.00
Platinum (per troy oz.)	$390.00	-3.00
Palladium (per troy oz.)	$121.75	-0.60
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.03r	-0.12
Tin (New York)	288.50	
Cattle (live weight)	95.59p	+0.07*
Sheep (live weight)	120.41p	-2.86*
Pigs (live weight)†	110.29p	+2.02*
Lon. day sugar (raw)	$305.10	-3.1
Lon. day sugar (wte)	$354.40	-3.2
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	89.00p	+0.25
Rubber (Nov)♥	89.00p	+0.25
Rubber (KL RSS No1)	329.5v	+1.5
Coconut Oil (Phil)§	$730.0z	
Palm Oil (Malay.)§	$547.5z	-7.5
Copra (Phil)§	$487.5z	
Soyabeans (US)	229.0v	-1.0
Cotton Outlook'A' index	75.40	+1.20
Wooltops (64s Super)	422p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. z Oct. x Sep/Oct ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,453 head of pigs sold.

JOTTER PAD

CROSSWORD

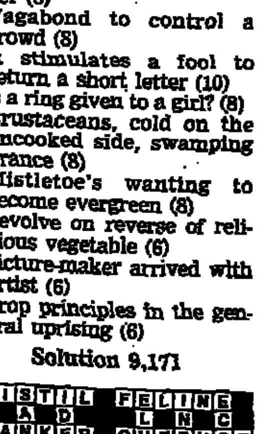
No.9,172 Set by DOGBERRY



ACROSS
1 Returned Greek's letter to one annoyed by derangement (8)
5 Said to be more vulgar than a tradesman (6)
9 Trick feature of crossword in which many find a solution (8)
10 A very quiet female goes outside by chance (6)
11 Advance on unconcealed river (8)
12 Canopy's beginning not to begin (6)
14 Stick by strange result of itchy feet (10)
18 Seed containing head of regional vice squaddies, perhaps (10)
22 One not in hat (6)
23 Ban recent chart (8)
24 Hang around with lire to exchange (6)
25 Contend Northern has seen off Metropolitan (8)
26 Horrified by Silver Rush, almost (6)
27 Stronghold gets wine as a memento (8)

DOWN
1 Interfere with academic (6)
2 Bird allowed into pub? On the contrary (6)
3 Tell to empathise (6)
4 Entrepreneur playing darker tune (10)
6 Give again, reserving right to be near the back (8)
7 Limit expenditure of low-lifers pinching one's pepper (8)
8 Vagabond to control a crowd (8)
13 It stimulates a fool to return a short letter (10)
15 Is a ring given to a girl? (8)
16 Crustaceans, cold on the uncooked side, swamping France (8)
17 Mistletoe's wanting to become evergreen (8)
19 Revolve on reverse of religious vegetable (6)
20 Picture-maker arrived with artist (6)
21 Drop principles in the general uprising (6)

Solution 9,171



Professional investigators can protect employers from exploitation, says **Richard Donkin**

Check out the bad apple pickers

Most employers will appreciate that trust and gullibility can prove to be unwelcome bedfellows. While an environment of trust and responsibility is attractive to employees, it can increase a company's vulnerability to exploitation or abuse of procedures. Morgan Grenfell Asset Management is at present suffering the consequences.

But what can investment banks do when the very nature of their business means their top employees operate in such a rarefied environment of risk, pressure and stress? It would be easy to criticise Morgan Grenfell for operating too few checks and balances when it employed Peter Young, its disgraced fund manager, who put investors' money into high-technology ventures so speculative he had to conceal shareholdings in shell companies.

Anyone who has read Charles Mackay's classic work *Extraordinary Popular Delusions and the Madness of Crowds* will be familiar with the circumstances. Some at Morgan Grenfell appear to have had a first-hand encounter with an oft-repeated phenomenon so acutely observed and recorded by Mackay. These include early investment bubbles such as Tulipomania and the South Sea Bubble.

The fraud which brought down Barings led many banks to upgrade compliance and audit control posts. The Morgan Grenfell affair suggests such roles need a fundamental overhaul rather than simply a higher salary and greater status.

The banks might find the vetting of employees during recruitment is best undertaken by a specialist less inclined to be intimidated by the claims of a senior executive that he or she can deliver telephone number profits. Such specialists are often less driven by the process of checking figures that is more familiar to the accountant and more interested in human behaviour and basic common sense.

The big accountancy firms are beginning to understand this lesson. This is why some have created fraud investigation or forensic accounting departments manned by professional investigators.

Colleagues had noticed that Young was displaying increasingly bizarre behaviour. In the unreal world of investment banking there may not be anything too unusual about buying 30 jars of pickled gherkins – I have the same problem with beetroot and anchovies. But professional investigators are likely to be more alert to signs of anything illogical or abnormal.

In most cases, they will find an innocent explanation for odd behaviour or for something missing on an individual's curriculum vitae. The important point is that they will seek an explanation.

It may be that no amount of due diligence would have uncovered anything out of the ordinary about Peter Young. Gherkins aside, his background seems perfectly normal for someone with the reputation of a whizzkid investor. Such people are almost expected to construct mathematical models of burrowing termites in their spare time. They are unlikely to be turned on by growing geraniums.

But the practice of checking CVs, references and antecedents can save thousands of pounds and untold embarrassment when a bad apple does come to light.

Andersen Consulting is still smarting from the experience of employing a consultant in good faith without fully checking her credentials. Anne Harrison-Mee was forced to resign from her job with a £50,000 salary earlier this year after it emerged that she had failed to disclose convictions for fraud either on her CV or at interviews.

A small number of private consultancies and some corporate investigation companies now offer employee vetting. Something which has been routine for so long in many government and public service appointments may need to be adopted over a much broader area of recruitment.

Childcare pack

Few would describe the ubiquitous luncheon voucher as sexy. It is the simplest of employee benefits, has been around for donkey's years and is as much a part of the corporate scenery as the paper clip.

In fact it might have become as unfashionable as, well, lunch itself, had it not helped inspire a series of innovations that have found themselves in the vanguard of everything that is trendy and *de rigueur* in employee benefits.

The LV Group this week launches something called Familylife Solutions – a computer-based care scheme that has been devised as an extension to its Childcare Solutions services which has run for the past four years. Childcare Solutions is a free telephone advice service on childcare for employees.

The idea is that instead of spending company time trying to sort out childcare there is a convenient service to do the job for you. The logical development in the new service is to additionally offer advice on care for the elderly and the disabled.

Sue Harvey, managing director of the LV Group, says: "I know what it's like when you are worrying about finding the right kind of care for an elderly parent because I have been in that position myself. What we are offering is an advice service that will lay out all the possible options to help people make decisions."

Her sales focus is geared towards convincing potential clients that buying such services can save money. A new piece of research, commissioned by the LV Group, from the Institute of Employment Studies claims failure to provide family care costs UK companies at least £50m a year in wasted company time, absenteeism and higher staff turnover.

The calculation is based on the estimate that it takes someone an average of 16 hours to arrange care for a child or an infirm parent and the assumption that 80 per cent of these arrangements are made in company time. The research estimates that employers can save £2 for every £1 spent on referral and helpline services.

These figures are suspiciously round. But many people, particularly working women, will be familiar with juggling work and domestic demands, particularly when the social problems are sudden and unforeseen.

The needs of employees for elderly care services are likely to grow more acute as the ageing population increases. The 1995 Social Trends Survey estimated the number of people in the UK aged over 65 will rise from 9m to just under 12m in the next 30 years.

As the population ages the number of employees who have to arrange parental care will also increase. A recent survey by Help the Aged estimated as many as 60 per cent of all employees may be faced with providing arrangements to look after elderly parents within the next five years.

"I found that senior executives who might have had little interest in childcare advice understood the problem when I spoke of care for the elderly," says Harvey.

The LV Group is pricing its Family Care Solutions package at between £5.50 to £6 per employee per year. The prices fluctuate depending on the proportion of women employees since they are the biggest users. Its pricing is based on an average annual usage by 4 per cent of employees although usage tends to be more like 10 per cent among smaller companies.

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[illegible]uantitative [illegible]d-Income [illegible]ch-Trader (Ref. FT/1060)

[illegible] trading systems [illegible]des and [illegible] them; ☐ Design [illegible]ime) arbitrage trading models

[illegible]

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These two positions are crucial to the bank's ambitions in the syndicated loan market and consequently the remuneration packages will reflect their importance. Both will consist of a highly competitive basic salary, a performance related bonus and the full range of banking benefits.

If you are interested in pursuing either of these opportunities please write enclosing a full CV to Niall Macnaughton, quoting Ref: 402, at the address below or use our confidential fax or E-Mail facility. All enquiries will be treated with the utmost discretion.

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- Close monitoring of trading activities, providing management and guidance on all issues affecting risk profile and reviewing complex transactions.
- Advising Credit and Finance departments of the counterparty exposure matrix, particularly regarding OBS products.
- Liaison with senior management regarding analysis of risks inherent in new product development.
- Membership of Market Risk and Treasury Committees; Representative on Operations and New Products Committee.
- Management of team of three responsible for reporting of sensitivities and their underlying integrity.

Candidate Profile:

- Strong management and presentational skills; able to address and explain issues in a formal and disciplined manner.
- Good understanding of modern portfolio theory, conventional volatility models and control and reporting systems, allied with a general awareness of the regulatory environment.
- Highly analytical with an exceptionally strong technical knowledge of both vanilla debt and equity products and complex structured derivatives.
- 3-5 years experience of Capital Markets risk or trading, with an industry or professional qualification.

For a confidential discussion please contact Sam Dewhurst. Telephone: 0171-236 2400, Fax: 0171-236 0316 or apply in writing to: Sheffield-Haworth Ltd, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

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- As part of a closely knit team working with the trading desk, provide credit perspective for each potential investment.
- Monitor entire investment portfolio encompassing financial institutions, asset backed securities, sovereigns, supranationals and corporates.

Candidates should have superb analytical skills with a minimum of 7 years credit experience gained in a commercial bank or rating agency. Experience of investment portfolio management in an investment bank or the capital markets/treasury arm of a bank is desirable. Specific expertise in analysing either financial institutions or asset backed securities transactions is essential.

Asset Backed Securities Analyst

- Focus on potential investments in asset backed securities, making recommendations to the trading desk and credit committee.
- Advise on structures of deals, working closely with in-house legal counsel and the trading desk.
- Monitor collateral and historical performance of investments.
- Advise on structural developments in the asset backed securities and related markets.

Candidates will have received formal credit training and have 2-3 years experience of markets related credit transactions. Alternatively you may be a recently qualified ACA with very strong analytical skills.

These roles represent an excellent opportunity to join a dynamic company that continues to increase in both size and performance. You should have the strength of character, innovation and enthusiasm to work in a highly team orientated and collegiate environment. Strong communication skills are highly valued. The remuneration package is highly competitive and includes profits related bonus and stock option plan. As such, the roles will suit those who have the vision and commitment to be a part of our client as they continue to develop.

Interested candidates should contact Tim Smith on 0171 269 2313 or write to him enclosing a full curriculum vitae, at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 0171 405 9649. Please quote reference 303029.

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Applications are welcome, either from candidates presently working in the corporate sector who wish to return to banking, or EU nationals currently based in Northern Europe seeking to further develop their career in the City of London.

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Fluency in English and another major European language is essential to be successful in this position based at our European Headquarters in France - Grenoble area.

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MEDIAPA

London Investment Banking Association
(LIBA)

SENIOR EXECUTIVE

The LIBA, which represents the interests of the leading firms in the investment banking industry, has a vacancy for a senior executive to work in the field of financial services regulation.

The successful candidate will either have had direct experience as a practitioner or will have extensive knowledge of the legislative and regulatory framework, both domestic and international. He or she will need good communication skills; some knowledge of European languages would also be an advantage. Experience in financial regulation would be particularly helpful.

Remuneration and benefits will depend on experience and qualifications, but will reflect the importance of the post.

Written applications only (marked "Personal") should be sent, with a full curriculum vitae, to:

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All applications will be treated in complete confidence.

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The successful candidate must speak and write fluent Japanese and English and have good communication and problem solving skills. Some experience working within a capital markets area would be an advantage, as would computer skills, particularly Lotus.

If you are interested in applying for this position, please send a full CV to:

Mrs D Glinnan
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FCM(UK)

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The Role

The Country Account Directors will be fully accountable for specific vendor relationships, selling the concept of complete asset management and leasing to the Vendors own sales team, then assisting in closing the opportunities with them. Initially you are likely to be based in the vendors' own offices in each respective country.

An in depth knowledge of the leasing market and the products of the high technology desk top and communications market are essential. You will have and be able to demonstrate a successful track record of closing large complex transactions at a senior level with Blue Chip organisations.

Experience of the vendor leasing marketplace at a senior level would be advantageous as would knowledge of the operating lease market. Fluency in both written and spoken English is essential.

Please send your full CV, with current salary details to our Search and Selection Specialists, Morgan Chase Europe Ltd, 54 Grosvenor St, London W1X 0EU. Tel: 44-171-629-5444 Fax: 44-171-629-7445. Mark for the attention of Bill Morrow or Matthew Winfield.

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The roles involve working as part of a team executing debt transactions, where the bank takes a proactive stance in arranging debt facilities and funding sources. Specific responsibilities will include not only financial analysis but also looking at broader considerations such as structure of proposed deals, client strategy and funding assets. You will also accompany marketing officers, visiting and maintaining relationships with clients.

The successful candidates will be graduates with 2-4 years banking experience and a very strong background in corporate analysis. Applicants should have sound business acumen, good computer modelling skills and the ability to present complex transactions and ideas concisely to clients and colleagues.

This is an exceptional opportunity for ambitious individuals to develop a rewarding career in a dynamic environment; over time you will progress into a marketing role or into a product area within the bank.

Interested candidates should contact Tim Smith on 0171 269 2313 or write to him enclosing a full CV at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 0171 405 9649. Please quote reference 308639.

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- Country risk analysis.

Candidates should have a minimum of five years relevant experience, gained in a securities firm/investment bank, or within the treasury and capital markets arm of an international bank.

The Hong Kong based role will initially start in London (for candidates currently based in Europe) and may be suitable for a Hong Kong national who wishes to return to Hong Kong to work.

For further information of either of these roles please contact Tim Smith on +44 (0) 171 269 2313 or write to him enclosing a full curriculum vitae, at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax +44 (0) 171 405 9649.

Additionally, Des Pang may be contacted on 852 2530 2000 at Michael Page International, 2511 Two Pacific Place, 88 Queensway, Hong Kong. Fax 852 2530 2255.

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To apply, please send your CV, quoting ref: 526, to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

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KPMG

Consultant

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Interested candidates who meet these criteria should send their curriculum vitae including, where appropriate, present remuneration details to:

Peter Rains F.I.A.
Global Fixed Income Director
CUIM
St Helen's
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Write to Box A5686, Financial Times, One Southwark Bridge, London SE1 9HL

هكذا من الأصل

KANSAI

On the road to recovery

The aspiration and dream is to become Japan's Asian hub, writes Gerard Baker

Kansai people used to complain that they seldom received the attention their region's immense economic and strategic importance warranted. The area, which encompasses the great western Japanese cities of Osaka, Kobe and Kyoto, has long been overshadowed by its hegemonic and bureaucratic nemesis to the east, Tokyo.

And they were largely right to feel neglected. Tokyo has long been the focus of most domestic and international interest in Japan. But few outside the country have even heard the name. My computer's spelling check function insisted the word I wanted was Kansas.

But in the last two years, for reasons most Kansai people would prefer to forget, their region has hardly been out of the headlines, becoming a symbol of much that has gone wrong in Japan over the last ten years.

The earthquake that devastated Kobe and much of the immediate vicinity in January 1995 shocked the world, almost as much for the authorities' unpreparedness and dilatoriness in responding as for its scale. The quake killed more than 6,000 people and inflicted damage estimated at around Y10,000bn. The blow to the country's reputation for efficiency in the wake of the disaster is unlikely to be repaired soon.

A few months later, amid the collapsing detritus of the "bubble" economy – the period of soaring asset prices in the late 1980s – a clutch of the region's financial institutions failed. They included Kizu, the country's largest credit union, and Hyogo, the first listed bank to go under since the second world war.

Then in September last year, it was the gleaming high-rise tower of the Daiwa Bank headquarters in Osaka that appeared nightly on the world's televisions screens. The bank, the third largest in the region, and the twelfth largest in Japan, owned up to a $1.1bn bond trading loss at its New York branch and was subsequently fined and expelled from the United States when it emerged that some of the bank's management had colluded in an attempted cover-up.

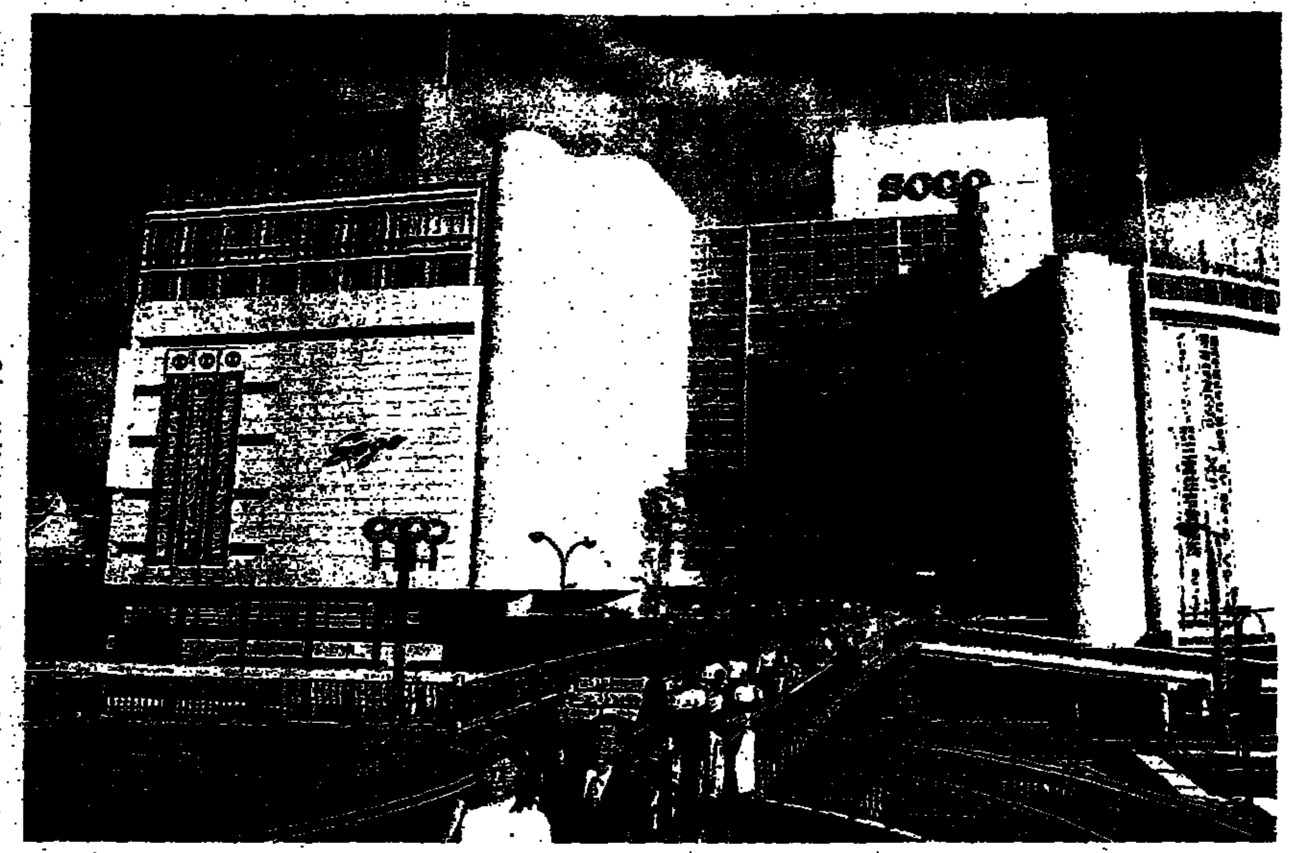
Last June, another famous name was added to the region's roll-call of infamy when Sumitomo Corporation, one of the largest companies in the world, with its headquarters just down the road from Daiwa, revealed losses on copper trading of at least $2bn.

Finally, this summer, the region has been at the centre of a frighteningly widespread epidemic of food poisoning that has claimed ten lives, mostly children, and has once again shown up the failure of the Japanese authorities to respond effectively to crisis.

For the hardworking people of this densely populated area, the blows, social, financial and economic, have fallen harshly. And their timing could hardly have been worse.

Just as the Kansai economy was beginning to follow the rest of Japan out of the long, damaging recession of the early 1990s, the headline news about Kansai was all bleak. That recession had been especially harsh on the region, exacerbating the problems that had plagued it for so long.

On a first look at the basic economic facts of the region, it is hard to fathom why there has been so much gloom about the economy for so long.



Rebuilding the city of Kobe after the earthquake (above and *below*): it continues apace but there is resentment that the centralised government in Tokyo was slow to respond. Kobe's social structure was also disrupted and many citizens were severely traumatised

Eight prefectures – Osaka, Kyoto, Hyogo, Fukui, Wakayama, Shiga, Nara and Mie – make up the area. The population of 23m, 19 per cent of Japan's total, produce goods and services worth about Y88,000bn.

The statistical clichés that bear witness to Kansai's economic might are as familiar as they are valid. It has total production larger than that of Canada, and about ten times that of China. If the region were an independent country, its economy would be the sixth largest in the world.

But the continuing enormity of the Kansai economy masks a long-term decline in its relative importance within Japan. In the last twenty years, the region's share in total output has fallen from almost 19 per cent to little more than 16 per cent.

The reasons for this slide lie deep in the region's industrial structure. Its principal industries – basic materials such as steel and textiles – were the energy behind Japan's economic success in the 1960s and 1970s. But after the oil shocks of the 1970s, the region's dependence on them became an increasing liability. In the 1980s and 1990s, the relative decline of those industries has accelerated with the sharp appreciation of the yen. A chronic shortage of land has prevented Kansai from developing new industries to replace those ageing monoliths.

The region's political and business representatives often add one other factor to the list of their blights – a strong sense that they have been neglected by Tokyo.

Enmity between Osaka's merchant class and Tokyo's sophisticated elite has long been a fact of life in Japan. But since the end of the last century, the dominion of Tokyo has grown, to the detriment, say Kansai folk, of their own performance.

"The problem is that the tight regulatory system imposed by the government over the last fifty years or so has concentrated excessive power in Tokyo – it's that system that needs to change," says Mr Senri Hagio, secretary general of the Kansai Association of Corporate Executives. His organisation has been developing a strategy specifically designed to do just that.

"Many feel we should declare independence from the framework of the system laid down by Tokyo," says one banker.

That spirit of rebellion is reflected in the region's politics. The voters of Osaka, the largest prefecture in the region, last year effected a revolution in Japan by kicking out the established political parties in the election for governor. In their stead, they chose a complete outsider, Mr Knock Yokoyama, a former comedian, who had campaigned on a vigorous platform of reform and reinvigoration of Osaka government and of the region as a whole.

Eighteen months after the revolution, there is little evidence that Mr Yokoyama has been able to change much. But there is a sense, that, in spite of the problems that have beset the region, there is just a chance that Kansai can make a new start.

For one thing, the process of rebuilding from the ruins of the earthquake has given both a psychological and an economic stimulus. The reconstruction is now well under way, and has injected an estimated Y10,000bn so far into the regional economy. For the first time in a decade, last year Kansai recorded a faster rate of growth than the country as whole. And the quake may prove to have had lasting beneficial effects – forcing the local governments and businesses to review their entire strategic economic approach.

"If we had not had the earthquake, this process of restructuring our economy would have taken much longer. It forced us to address our long-term structural problem much more quickly than the rest of the country," says Mr Kanoyuki Kanemitsu, director of the International Division of the Kobe municipal government.

A continuing stimulus from big infrastructure investments has helped too. The series of bridges that will link Kansai to Shikoku, Japan's fourth island, will open in spring 1998. The final stage of the giant Kansai Science City, is scheduled for completion early in the next century. Next year work begins on another big project – Universal Studios Japan. Set to open in 2001, it is expected to be a significant new destination for tourists – to add to the traditional, and rather more subtle charms of the biggest tourist draw in Japan – Kyoto.

Perhaps best of all, the economy is starting to reap the benefits of the biggest infrastructure project of all – the Kansai International Airport that opened on a man-made island in Osaka Bay in September 1994. Seventeen million passengers passed through the airport last year and the economic benefit has been estimated at a full 0.5 per cent of total regional product per year.

The hope is that the new airport will give Kansai a chance to reach its real dream – exploit its geographical position to become Japan's Asian hub. These days the region's businessmen look west, not east. Already Kansai has more trade with the rapidly growing economies of Asia than any other Japanese region, and as the Asian economy continues to expand at rates of growth once thought to be the preserve of the Japanese, the region may at last have found a way out of Tokyo's shadow.

IN THIS SURVEY

■ **Politics:** by Gerard Baker

The rebel comedian of errors

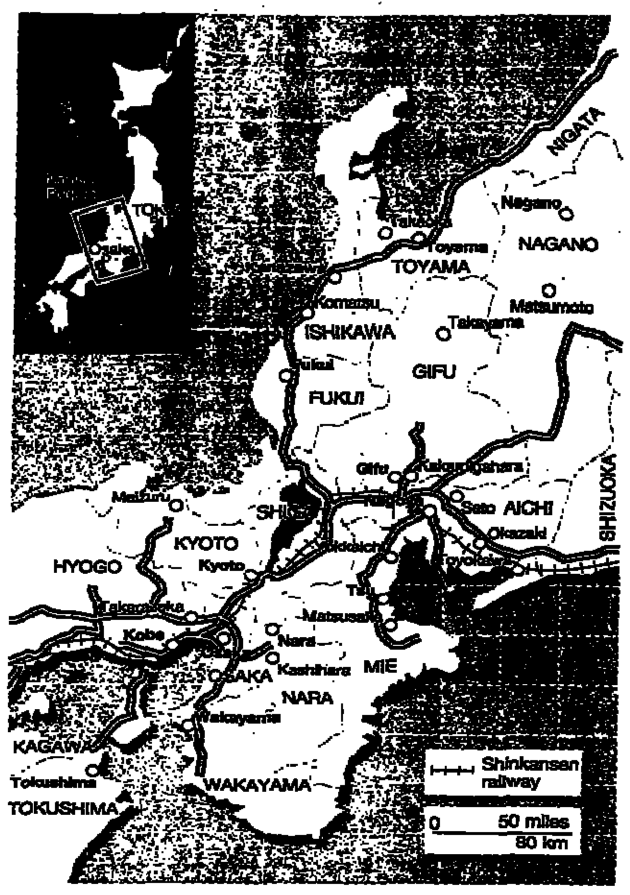
The mould of Japanese politics is hard to break even with a popular mandate

Kansai was home to the nation's capital for more than a thousand years. Little more than a century ago, it lost its national pre-eminence to Tokyo and ever since it has seen a gradual flowing away of political power to its rival in the east.

Over that period, popular dissatisfaction with the loss of power has gradually escalated. The crises of the early 1990s, and Tokyo's slow response in dealing with some of them, dramatically intensified the traditional hostility felt by many in the region towards their political masters

That hostility is built on a much deeper and long-standing tradition of suspicion of any sort of authority associated with Kansai people. In Osaka especially, the citizens have a reputation for feisty self-reliance.

It is no accident that the *yakuza*, organised criminals who like to think of themselves as latter-day Robin Hoods, count more members in the Osaka area than anywhere else in Japan And it is no accident that many of the financial scandals of the last few years have had an Osaka connection. An insalubrious disrespect for what is seen as meddling by authorities, has caused embarrassment for many companies in the area



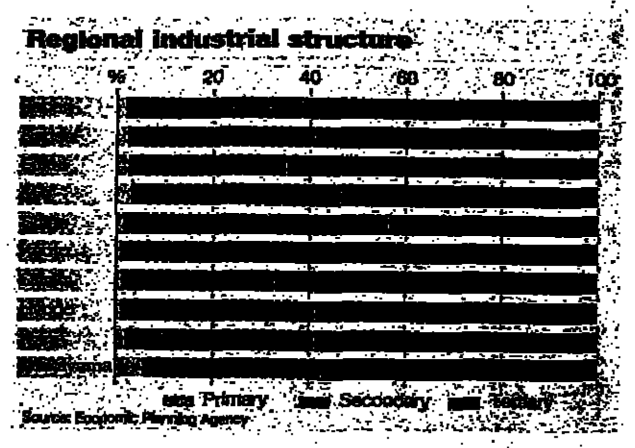
In this prevailing spirit of rebellious self-reliance, it is not surprising that political revolutions occur from time to time. Last year produced the latest one. To the astonishment of the establishment in Kansai and further afield, the voters of Osaka elected as governor a political neophyte, the television comedian, Mr Knock Yokoyama.

Standing as an independent, he denounced the main political parties for neglecting the interests of local people. Pledging real change, through a voice for the populace and a declaration of political independence, he won a famous victory.

It would be wrong to characterise this political upheaval as a purely Kansai phenomenon. It followed the national revolt that ousted the Liberal Democrats from national power after 38 years in 1993. And on the same day as Mr Yokoyama's victory, the voters of Tokyo also elected a similar candidate to be their governor.

But the pervasive strength of the revolt was much greater in Kansai. Less than a year later it was followed

Regional industrial structure



by an almost equally shocking demonstration of public discontent in that most sedate of cities – Kyoto. There, in the mayoral election, a communist candidate came from nowhere to finish within a few thousand votes of achieving what would have been an even more astonishing victory over the man backed by the leading political parties.

The proximate cause of the earthquake was the same in both cases – popular opposition to the central government's plan to spend over Y680bn on a bailout of the country's collapsed housing loan companies. Though that opposition was expressed across the country, it was striking that it hit fever-pitch in Kansai.

And the popular choice of Mr Yokoyama (the comedian's *nom de plume*, his real name is Isamu Yamada) went much further than that. Osaka voters liked his overall message of an end to government waste, and the corruption associated with the political/business nexus.

Yet the high hopes with which he took office have largely evaporated eighteen months into the job. The last year and a half have, in fact, demonstrated how hard it is even for a revolutionary with a popular mandate to break the mould of Japanese politics.

Though he remains cheerily comedic, on most of the big issues that have confronted him, Mr Yokoyama has been depressingly unsuccessful. He has too often fallen victim to the opposition of the highly-organised bureaucracy, which has managed to continue with its own rather different agenda.

Having opposed spending public money on financial bailouts, the new governor was forced, within a few months of taking office into a humiliating climb-down in which he had to approve the spending of large sums of even his own Osaka taxpayers' money towards the rescue of a local credit union. Under pressure from business and bureaucrats, he dropped his opposition to the spending of more money on a new runway for Kansai International Airport.

And he has aroused cynicism over his defence of the highly disreputable but widespread practice of local bureaucrats' wining and dining Tokyo officials in an effort to increase their share of national tax funds.

Indeed it is hard to point to a single concrete achievement by Mr Yokoyama in his first year and a half in office. Yet he remains highly popular with the local voters. Opinion polls continue to give him an overwhelmingly positive rating.

Herein lies the really important message of Kansai politics. The popular view can be summarised as cynicism mediated by anti-authoritarianism. In spite of his elevation to the governorship, Mr Yokoyama remains an outsider in the eyes of the people. Voters are happy to continue to blame the bureaucrats for the government's failings. They are cynical enough to accept that while he has little chance of effecting the revolution he promised, they are proud of him for speaking the language of rebellion where it has not previously been heard. It is, they might plausibly argue, a start.


Knock Yokoyama: the governor still has the positive support of Osaka's voters in opinion polls

Kansai and Japan: Land area, population and gross regional product

	Land area (1993)	Population (1990)	GRP (1994) Y100m
Japan	377,812km²	123,611,167	4,695,333
Kansai (ratio in the domestic total)	37,017km² (9.8%)	23,030,332 (18.6%)	881,508 (18.8%)
Fukui	4,188km²	823,585	29,160
Mie	5,672km²	1,792,514	61,300
Shiga	3,854km²	1,222,411	51,502
Kyoto	4,612km²	2,602,460	87,966
Osaka	1,891km²	8,734,516	394,702
Hyogo	8,385km²	5,405,040	195,253
Nara	3,690km²	1,375,481	31,733
Wakayama	4,724km²	1,074,325	29,892

Source: Land area - Ministry of construction 1993. Population - Management and coordination agency 1990. GRP - Economic planning agency 1995

INFRASTRUCTURE IN LATIN AMERICA

Wanted: $1bn a week

Latin America's investment need is huge. Stephen Fidler on how it can be met

Every year during the soybean harvest season from March to June, the Brazilian ports of Santos and Paranaguá are clogged. Drivers line up for days to unload, their trucks snaking back for miles, while ships often wait more than three weeks to dock.

These inefficient state-run ports are more than an inconvenience. Transporting soybeans out of Brazil is estimated to add as much as 30 per cent to exporters' costs. These costs, extended across the economy, are damaging to Brazilian competitiveness and inhibit growth.

Brazil is now bringing private capital into its ports, following a trend that is further advanced in other parts of Latin America. Governments have turned to the private sector to improve efficiency, but more often because they themselves do not have the resources to develop infrastructure badly run down during the recessionary 1980s.

Latin America needs at least a billion dollars a week to maintain and expand modestly its electricity, water and sewerage systems, telephones, ports, airports, railways and roads, according to estimates from the World Bank and InterAmerican Development Bank. Some $24bn a year will be needed for power projects, $14bn for transport, $10bn for telecommunications, and $12bn for water and sewerage systems.

These sums, large as they are, will not be enough to bring the region's infrastructure in line with that in industrialised countries. In the US, for example, infrastructure stock per person is about eight times higher than in Latin America.

Already, the private sector is playing a sharply expanded role. Privatisation, which in some countries such as Chile and Argentina has been radical, has seen to that. That role seems set to expand further as privatisation gathers momentum in Brazil and is extended in Mexico.

Private money is also mobilising for infrastructure finance to an extent not seen for 15 years. International commercial banks and to a lesser degree the capital markets are showing a growing appetite for debt generated by infrastructure projects, which has survived the setback dealt by Mexico's financial crisis of 1994-95. Economists at the IADB estimate that a quarter of the region's infrastructure financing needs – up to $12.5bn a year – could be generated by the private sector.

So far, however, private finance has significantly fallen shy of this figure. A shortage of debt rather than equity seems to be the main constraint. Equity has been relatively plentiful, in part, says Mr Rauf Diwan, divisional manager for the power group of the International Finance Corporation, the World Bank's private sector arm, because of high returns. Yields have been as high as 20-25 per cent a year, but are now coming down, compared with a few percentage points above money market rates for debt.

And, says Mr Craig Reyn[...]s, senior vice-president of GE Capital's project and [...]uctured finance group, [...]ite the recent growth [...] innovations, the mar[...] for debt are not fully [...]oped. This is especially [...] of Latin America's domestic capital markets. Only in Chile is true long-term financing available for the local currency portion of projects.

For some time to come, pure private sector financing without recourse to government will probably be the exception rather than the rule. Mr Norman Anderson, whose Washington-based consultancy CGLA Infrastructure has compiled a Latin America project finance database, says: "Not nearly as many infrastructure finance deals are going on as people say."

According to Mr Antonio Vives, infrastructure division chief at the IADB, writing in *The Financier*, a US review: "A combination of difficulties in structuring financing for deals, the complexity of negotiating for all contingencies and the inevitable political considerations make private financing of infrastructure difficult, time-consuming and expensive. As a result it is apparent that no single party – the public sector, private sector, or multilateral or bilateral creditors – can overcome these obstacles alone."

Export credit agencies, particularly the US Exim bank, have responded by increasing the available amounts for project finance by the private sector. The IADB has opened a private sector window, a pilot project that allows it to direct 5 per cent of its loans to private sector borrowers, unguaranteed by governments. Insurance mechanisms are also being developed to cover both political and project risks.

Further development of private finance for infrastructure depends on two factors, says Mr Reynolds. First, a stable political and policy environment is necessary because capital has to be invested over a long period of time. Second, a "strong clear regulatory environment is critical".

Latin American governments have in general shown more policy consistency through the 1990s than in the preceding two decades, although in most a weak tradition of judicial independence calls into question the sanctity of contracts and the freedom of regulatory regimes from political meddling.

However, Chile is the one country that appears to satisfy most investors on both scores, helped by its investment grade status, which only it and Colombia have attained in the region. Mr Everett Santos, chief executive officer of the Latin American group of the Washington-based Emerging Markets Partnership, which is establishing a new Latin infrastructure development fund, says: "Even in new areas for them, Chile will receive greater receptivity than any other country."

However, even in potentially less attractive countries, private capital sometimes is available. GE Capital, which has just closed a $25m hydroelectric deal in Costa Rica, is "interested in central America", says Mr Reynolds. In Brazil, the privatisation of the Rio de Janeiro electrical utility Light went ahead successfully, despite doubts – cited by potential Chilean investors who withdrew – about the regulatory regime it will face. Electricite de France, along with its US joint partners Houston Power Industries and AES Corporation, took a controlling 34.7 per cent shareholding in the company.

In Mexico, recovering from the throes of financial crisis, a financing agreement was finally concluded in June on the 700MW Samalayuca power project in the north of the country after almost four years. This build-lease-transfer financing includes $515m of debt and $132m of equity, and should set the stage for the bidding that is expected to open next month for the 484MW Merida III independent power plant. Mexico wants to instal 7,000MW of capacity by the year 2000.

In contrast with Asia, most private investment in infrastructure in Latin America has come through privatisation of existing assets. Asian countries have generally preferred, like Mexico, to use private finance for new capacity but left existing capacity in the hands of the state. The greater private ownership of assets has helped Latin America in some areas to surpass Asia as the most dynamic and innovative area for private infrastructure finance, says Mr Diwan of the IFC.

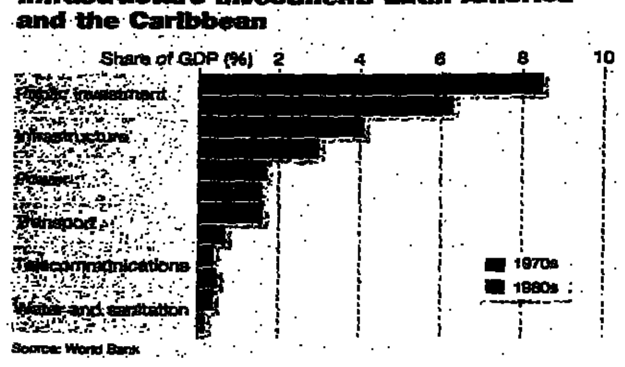
Meanwhile, disputes about contracts with governments in countries such as India, over the $2.5bn Dabhol power project, and Thailand, over privately developed toll roads, have reminded investors that Latin America has no monopoly over arbitrary political decisions.

A number of important infrastructure projects is also directed at improving regional integration. With more than one country involved, financing risks become more complicated. Some such as the gas pipeline from Bolivia to Brazil have already been opened for bidding. Others – for example the road bridge from Buenos Aires to Colonia in Uruguay – seem much further from fruition. However, the breakthroughs made in Latin America could well provide useful precedents for other regions of the world, says Mr Diwan.

Such projects are, unlike the grandiose schemes of the past, likely to be minutely scrutinised on efficiency grounds. The unfinished Yacyretá hydroelectric power project built by the Argentine and Paraguayan governments aims to provide 1,500MW: the estimated cost is $10bn. By contrast, the privately built and more modest Pangue project in Chile will provide 450MW of electricity for $350m. For many in the business, the huge difference in costs per megawatt makes an almost unanswerable case for greater private involvement in the provision of infrastructure.

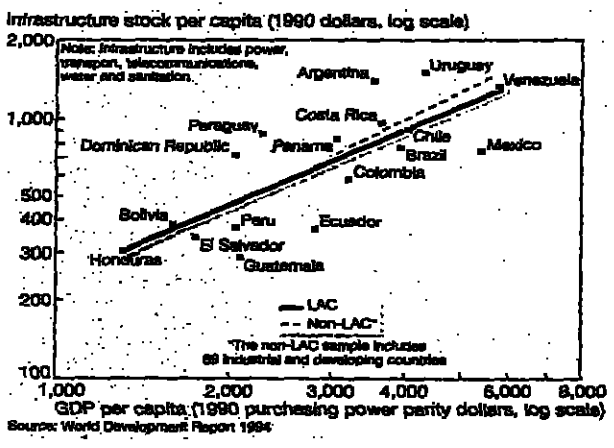

Up for tender: the railway running to Mexico's Copper Canyon. Privatisation is transforming the region

Infrastructure investment: Latin America and the Caribbean



Source: World Bank

Per capita GDP and infrastructure stock



Source: World Development Report 1994

[...]astructure coverage and efficiency: [...]n America and East Asia

	Latin America	East Asia	United States
[...]on 1990	[illegible]	[illegible]	[illegible]
[...]olds with [...] (% 1984)	80	37	100
[illegible]	[illegible]	[illegible]	[illegible]
[...] mainlines	69	50	545
[...] (100 lines)	[illegible]	[illegible]	[illegible]
[...] with [...]ater (%)	83	45	n/a
[illegible]	[illegible]	[illegible]	[illegible]
	670	291	14,172
[...]-16)			

[...] by population. Latin American countries are Argentina, Brazil, Chile, [...] and Venezuela. East Asian countries are Indonesia, Korea, Malaysia, [...]iland.
[...]ased on World Development Report, 1994 and IMF statistics.

Commercial banks: by Richard Lapper

The decade of the big deal

s the political sks of the region ecrease, lenders re offering more avourable terms

arlier this year when a onsortium of Mexican and S energy companies sought more than $500m in loans to uild a power station at amalayuca the issue was versubscribed, with more han 30 banks responding.

The deal has highlighted growing competition among international banks for the loans to infrastructure projects in Latin America. With margins shrinking on conventional syndicated lending business and on project deals in Europe, the US and Asia, the region is becoming more attractive.

Bankers are more prepared to lend to a wider range of projects and countries; deals are being agreed for longer periods and on easier terms than they were only two years ago.

Margins on projects in the most politically stable or creditworthy countries, such as Chile and Colombia, have shrunk. And some banks are using their experience in the capital markets in order to raise funds on the bond markets for projects. "I'd say that competition is intensifying," says Mr Chris Teague, head of Latin American project finance at Citibank in New York. "It was easier a couple of years back when our major competitors tended to be multilaterals. These days, most of the major houses are moving in."

Mr Ralph Scholtz, a vice-president in the project finance department at Banque Paribas in New York, agrees: "You are starting to see banks underwrite entire transactions in countries they had little appetite for two years ago. People are putting up some big numbers. They are willing to underwrite more risk because they know there is more bank demand for this type of paper."

Since the late 1980s – when a number of Latin American governments began to implement more liberal economic policies – the volume of project finance loans has increased sharply. According to Capital Data Loanware, lending volumes have increased from $915.3m in 1989 to $3.9bn in 1993, $2.9bn in 1994 and $4.4bn in 1995 (see table, right). The range of both countries and sectors has widened. In 1989, project sponsors in only four countries – Venezuela, Colombia, Chile and Brazil – borrowed funds.

By contrast, sponsors in nine countries borrowed money last year. Colombian and Argentine projects accounted for well over two thirds of the total amount borrowed and bankers say that demand is growing significantly in Venezuela and Brazil, where governments are pressing ahead with privatisation programmes in the energy and utilities sectors.

"Countries like Venezuela were not attractive last year given the political environment," says Mr Scholtz at Banque Paribas. "Given the recent changes, like the lifting of foreign exchange controls and new legislation, expect to see several sizeable deals coming onto the market."

Similarly, bankers are examining deals in Peru, where opportunities are also being created by the privatisation of energy and utilities industries.

Lending to Mexican projects dried up for a period after the devaluation of the peso in December 1994, but the country has quickly regained its popularity. "In our view, political risk in Mexico is diminishing," says Ms Deborah Malden, head of project finance at UBS in New York.

Bankers are also lending to a wider range of sectors. The oil and gas projects have been a mainstay of the market throughout the last 10 years, accounting for about a quarter of total loans, but last year project sponsors in a number of other sectors found it easier to raise funds. Lending to electricity utilities, being developed as a result of extensive privatisation in many countries, increased by more than 50 per cent to $724.9m. Bankers lent $315m to three Latin American cable television developments and four of the region's motorway operators.

Telecommunications projects in the region are also attracting interest for the first time. Citibank, for example, has had an involvement in three separate telephone deals: a $500m loan for Compania de Telefonos del Interior in Argentina; a $100m loan (an addition to a $150m high-yield bond) for Comcel, the Colombian cellular telephone business; and a $108m loan package for Telealca of Colombia.

Terms and conditions have eased. Bankers say that as perceptions of political stability improve, many more projects are being arranged without political risk cover, a fact that alone is producing savings for borrowers of between 1 and 1½ per cent of the amount lent. Mr William Chew, head of project finance at Standard & Poor's, the rating agency, says "Competition is beginning to erode margins in a number of markets. There is no question that a lot of money is being put into this market."

Loans to projects in Chile – widely regarded as the best credit and best sovereign risk in the region – are being made roughly on the same terms as those for equivalent deals in the US. According to Ms Deborah Malden, head of project finance at UBS in New York, "the distinction between US and Chilean issuers has been greatly reduced."

Across the continent, banks are now prepared to lend for longer periods. As recently as two years ago most loans were over eight or nine years. By contrast 10-years are now common. Mr Teague says a 12-year loan for Atlantic LNG, a Trinidad-based liquid natural gas development, is expected in the fourth quarter of this year.

Spreads on some of the best deals – such as Chile's Collahuasi copper mine project – are now being arranged at under 1 per cent for the pre-completion phase of the project, rising to 1¼ per cent once construction is completed.

Another element of the competitive climate is the way that a number of bigger banks is beginning to offer sponsors a combination of bank and capital markets financing, by taking advantage of their ability to structure deals in the bond markets. For example, some Chilean deals, originally financed through syndicated loans, have been refinanced through bond issues.

Project finance syndicated loans for Latin American borrowers by country – $m

	1988	1989	1990	1991	1992	1993	1994	1995
Mexico	0.00	0.00	563.52	1,006.30	622.72	937.46	553.87	529.86
Venezuela	423.27	165.09	278.50	311.96	699.47	2,073.06	41.00	0.00
Argentina	877.89	3.00	40.00	85.0	340.0	194.34	803.53	1,390.66
Colombia	15.64	193.18	70.00	8.00	122.40	107.10	1,203.50	1,422.30
Chile	154.24	45.58	333.00	246.50	488.60	315.90	50.00	456.00
Brazil	0.00	541.60	20.00	0.00	110.00	199.80	60.30	375.00
Ecuador	0.00	0.00	0.00	0.00	0.00	0.00	0.00	130.00
Bolivia	0.00	0.00	0.00	0.00	95.00	0.00	0.00	0.00
Guatemala	0.00	0.00	0.00	20.30	0.00	0.00	71.00	0.00
Peru	0.00	0.00	0.00	0.00	0.00	15.00	76.20	0.00
Honduras	0.00	0.00	0.00	0.00	0.00	76.00	0.00	0.00
Costa Rica	0.00	0.00	0.00	0.00	5.00	0.00	0.00	20.80
El Salvador	0.00	0.00	0.00	0.00	22.00	0.00	0.00	0.00
Uruguay	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.00
Panama	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00
Total	1,476.84	958.25	1,305.02	1,678.06	2,505.27	3,918.67	2,859.71	4,352.42

Source: Capital DATA Loanware

Payphones in Colombia: the use of bonds is likely to spread to the telecoms sector

■ **Multilateral development banks:** by Nancy Dunne and Stella Burch

The sixty billion dollar plan

A look at the strategy of the World Bank and the IADB in the region

For decades, the multilateral development banks, funded by the industrial countries, have poured investment into Latin American infrastructure. Between 1971-93, annual commitments for infrastructure in the region averaged $1.7bn from the World Bank alone. Yet today the region still endures undrinkable water, polluted air, meagre sanitary facilities, dilapidated roads and power blackouts.

The MDBs know well that much went wrong besides the debt crisis of the last decade, and they have sought new remedies. For unless the region's infrastructure improves, Latin America will be unable to compete with Asia and Eastern Europe for investment or improve the lot of its impoverished people. Lacking a record of accomplishment, the banks will have increasing difficulty in justifying their existences.

The development community has now agreed that hide-bound public sector monopolies bear much responsibility for the region's problems. "With some exceptions, the strictly state provision of public services infrastructure has proved to be very inefficient," says Mr Guillermo Perry, chief economist for Latin America at the World Bank and former Colombian finance minister. "Getting more private investment into infrastructure development is very important for the overall macro-economic development strategy."

A recent World Bank report notes that the appearance of "three converging forces" is promoting private sector solutions for the massive infrastructure gap. Innovations in technology have made it possible for the private sector to provide services more efficiently than monopolies. The traumas of the 1980s have left Latin America's leaders more open to the idea of private industry input into traditionally public sector areas. Furthermore, the democratised governments are increasingly concerned about poverty and the environment.

However, all the excitement about private sector participation must not obscure the continued need for public sector spending. "Let's not kid ourselves," says Mr Antonio Vives, chief of the infrastructure and financial markets division of the Inter-American Development Bank. "The private sector will provide about one-fifth of the financing at best so the public sector has to do about fourth-fifths. The MDBs will provide about 10 per cent of that, which leaves the rest for the governments."

The World Bank alone expects to finance up to $3bn annually, or 5 per cent of the total annual needs of the region's estimated $60bn in spending. It says it will seek maximum leverage for its funding by bringing in financing from private and public sources. Four approaches have been devised in order to spur infrastructure investment from other sources:

● Intensifying efforts to encourage co-financing of projects between the public and private sectors. During 1985-93, cofinancing of World Bank infrastructure loans averaged $1.3bn annually. With a concerted effort to involve co-lenders early in the project cycle, the Bank expects to increase co-financing to at least $3bn a year.

● Attracting lenders by using World Bank guarantees, instruments that require counterguarantees by the governments.

● Creating special infrastructure funds that can "jumpstart" capital flows for specific projects. The bank is offering a variety of facilities, tailoring them to the individual markets.

● Designing projects from the outset with private capital investment in mind. This is particularly helpful for countries that cannot yet invite the private sector into projects. Until then, the bank will act as a last-resort financier and help governments prepare projects for privatisation in future.

Street children in Brazil: without better infrastructure, the region will be unable to compete and, therefore, eradicate poverty

The World Bank's private sector arm, the International Finance Corporation, is enthusiastic about the privatisation process under way in infrastructure sectors. Of IFC's total investment in infrastructure projects, half have been in Latin America. More than $1.3bn has been committed to a variety of projects in the region, ranging from a hydroelectric plant in Bogota in 1994 to an electric utility in Isla Margarita, Venezuela in 1996.

IFC officials say privatised projects have begun to attract support from traditionally conservative institutional investors such as insurance companies and pension funds. Although the corporation strives to act as a catalyst for other investment activity, taking equity positions and providing outright loans, it does not, like the Bank, issue guarantees. No syndicated loans involving the IFC have ever been rescheduled.

The IFC prides itself on its creativity. In 1993 it put $20m into a power generation project in Puerto Quezal, Guatemala, where credit was not easily obtained. This project, however, was built on a barge, in case the investors, lacking repayment, decided to move the equipment out of the country.

The IADB's strategy is to make governmental agencies more conducive to involvement from private enterprise. It says it will focus on improving the capacity of transport-related institutions and decentralising highway administrations. Civil works activities will include maintenance to preserve existing roads and improve access to centres of economic activity.

It works closely with the World Bank on large public sector projects. Its private sector department actually competes with the IFC. "Only one of us is necessary for a catalytic role," says Mr Vives.

Much has been learned from disastrous privatised road projects in Mexico, where an emphasis on short-term loan recovery forced up the toll charges, leading to dramatic drops in traffic. The banks are now pushing long-term lending for the building of toll roads.

Officials acknowledge that privatisation is not the ultimate panacea for infrastructure problems, but argue that what is really important is a coherent package of reforms and economic management that includes the private sector. "A combination of good macroeconomic management, good laws, good regulations will make the whole things work," says Mr Perry.

Pioneer beats record

Last year, Eximbank's commitment to the region totalled $2.1bn

Trade promotion has been an obsession of the Clinton Administration since its inception. Mr Ron Brown, the late Commerce secretary, began leading trade missions around the world. Mr Kenneth Brody, former Wall Street investment banker and head of the US Export-Import Bank until this year, was also given a lead role as vice chairman of the inter-agency trade promotion co-ordinating committee.

Mr Brody, listening to his private sector advisers, launched the bank into project finance. It was clear that demand had begun to shift from public to private sector borrowers in emerging markets and that opportunities were soaring in the newly privatised sectors. In fiscal 1992, 71 per cent of Eximbank's financing was public and 29 per cent, private. In fiscal 1995, 35 per cent was public and 65 per cent private.

Much of Eximbank's project lending is for limited recourse project finance, which repays the bank from cash flows. Although the bank has a balanced portfolio, loans to its hemispheric neighbours predominate. When Mexico ran into its last credit crisis in 1994 – and Argentina and Brazil sustained collateral damage – Eximbank felt its pain. Total lending fell from $14.9bn in fiscal 1994 to $11.9bn the next year.

However, the crisis did not cost the bank unduly. According to Ms Paula Swain-Priestley, a lending officer in project finance, claims were paid out on only 0.25 per cent of Mexican exposure, compared with 20 per cent during the 1980s.

At the end of its last fiscal year, on September 30, 1995, Eximbank's largest commitments were in Mexico ($5.3bn), Brazil ($2.7bn) and Venezuela ($2.6bn). By sector, the largest commitments were to air transportation ($10bn), followed by power generation ($5bn), oil and gas services ($4.5bn) and communications ($2.3bn).

In fiscal 1995, Eximbank's project finance group approved a record $2.1bn for eight transactions, including $477m in financing for the sale of US equipment and services for the Samalayuca power project, a 690 megawatt power plant in Chihuahua, the first privately funded power project in Mexico.

Eximbank also provided $165m for the sale of US mining equipment and services for the El Abra Copper Mine project in Chile and $67m for the sale of technology, equipment and services for the Comsigua Hot-Briquetted Iron Plant in Venezuela.

In its annual report last year, the bank predicted a 50 per cent increase in project finance in fiscal 1996. What it did not factor in its forecasts was the decision by the US State Department this year to name Colombia as a country that was failing to co-operate sufficiently in the war against the illegal drugs trade. This cut Colombia off from Eximbank financing.

Nancy Dunne

■ **Bonds and equities:** by Richard Lapper

Capital markets fill funding gap

As investment demands grow, so too does the need for new sources of project finance

The sheer scale of Latin America's demands for power plants, roads, railways and airports and other infrastructure means that traditional sources of project finance – multilateral development agencies and international commercial banks – are never going to be enough.

Not surprisingly, therefore, developers and construction companies, together with their banks and advisers, have been exploring possible supplies of additional funds from the world's capital markets.

And over the past two years, as the continent's creditworthiness has improved, a number of projects has successfully raised money on international markets. Most significantly, mainstream North American investors such as mutual funds and insurance companies have successfully placed bonds on the US 144a market, named after the US Securities and Exchange Commission rule 144a, which restricts investments to so-called "qualified institutional investors".

More than $800m has been raised in this way, with a further $500m or so from the private placement market, which caters for a smaller universe of specialist investors.

Standard & Poor's, the international credit rating agency, has rated six bonds, according to its annual Global Project Finance Survey. Two of them – a $172m bond for Centragas and a $240m bond for Transgas de Occidente – are to finance energy projects in Colombia. A third, for Yacimientos Petroliferos Fiscales, the Argentine oil company, is to finance a pipeline in Argentina, and a fourth, the $265m MC Cuernavaca Trust, is linked to a road project begun in Mexico in 1994.

The scope for this kind of financing on the continent is illustrated by two other deals, both brought to the market this year.

One was an 18-year bond from Petropower Energia, a joint venture between ENAP, the Chilean oil company, and Foster Wheeler, the US engineering company. Paying an interest rate of 1.75 per cent above the equivalent Treasury bond, and brought to the market by Citibank and UBS, the product raised $162m and was the longest-term project finance bond out of Latin America. Petropower is using the funds to build a delayed coker and a cogeneration facility next to an existing oil refinery in Talcahuerno in Chile.

The other deal was from the Compania de Desarrollo Aeropuerto El Dorado (CODAD), a special purpose vehicle set up to develop a new international airport for Bogota. It is important for two reasons. First, it indicates that there is some potential to harness financing in the bond market with securitisation techniques: Codad will service the bonds with fees charged from airlines landing at the airport. Second, it shows that the bond markets will respond to opportunities outside the power sector. Encouraged by the successful placement of the bond earlier this year, bankers at UBS are bullish about the opportunities for bond financing in the telecommunications and transportation sector.

In particular, UBS forecasts a revival of the toll road sector, which fell into the doldrums after a number of Mexican deals turned sour (see story, page 3). Between 1992 and 1994 three bonds were launched to finance toll roads in Mexico (the Toluca Trust, the Tribasa Toll Road Trust and the Mexico City Cuernavaca Trust), but all declined very sharply in price. However, Mr Craig Orchant, vice president structured debt capital markets at UBS in New York, says new toll road projects could be brought to the market within the next six to nine months.

Whereas Mexico's toll roads are alternatives to existing routes, new developments are likely to be based on improvements to roads, and there will be fewer alternative routes without tolls, reducing the risk that traffic levels might fail to meet targets.

According to Mr Orchant, shadow tolls, paid to operators by government rather than directly by road users, are also likely to feature as part of these new schemes.

Many of these 144a and private bonds have been placed with a relatively narrow group of US institutions. Bankers say that a handful of insurance companies is particularly active buyers of this paper. This is because the longer-term maturities of the bonds match the terms of the insurance companies' own liabilities, while the extra yield allows them to give policyholders competitive returns. However, they argue that in recent deals a wider range of investors, including mutual funds, has become interested in the investments. Mr Orchant says, for example, that new investors were attracted by both the Petropower and CODAD issues this year. While insurance companies and life insurance companies will hold the paper until maturity, a number of money managers and mutual funds, which are likely to sell before the bonds reach full-term, have bought smaller quantities.

Mr William Chew, at S&P, confirms, "the market is beginning to broaden. Latin American project finance is a major evolving sector of the dollar [bond] market".

Nevertheless, bankers concede that the bond markets alone are unlikely to provide finance for all the projects, particularly in those countries that are rated below investment grade by international agencies.

The use of securitisation techniques to raise the credit quality of projects might help fill the gap. In the summer of 1996, Transportadora de Gas del Norte (TGN), Argentina's privatised gas company, raised $215m in a so-called "single asset securitisation" deal. TGN sold 12-year notes to two special purpose trusts, structured by the IFC, the private sector arm of the World Bank. The trusts then offered securities, backed by the notes, to US insurance companies and other institutions.

Standard & Poor's and Duff and Phelps gave the deal the same investment grade rating as Argentina's local currency debt, because holders of the paper should benefit from IFC's privileged access to foreign exchange. This will allow a wider group of investors to buy the paper than would be able to acquire conventional Argentine foreign currency bonds, which are rated sub-investment grade by both agencies, as well as Moody's.

At the same time, the equity markets could also be an important source of funds. The growth of new equity funds targeting infrastructure investments, along the lines of a number of similar funds established in Asia, is one relevant development here. The Emerging Markets Corporation, a Washington DC-based asset management company, has well developed plans to set up a $1bn infrastructure fund. An offer inviting investors to subscribe to the fund closes for the first time in September at $600m-700m and for a second time in December. Mr Everett Santos, chief executive of EMC (which is backed by AIG, the insurance company, GE Capital and other institutional investors), describes the fund as a "vehicle to permi[t] pension fund and insuranc[e] companies to participate a[t] an early stage in a secto[r] which will ultimately b[e] interesting to invest in".

Other equity funds targ[eting] opportunities include t[he] Scudder Latin Americ[an] Power Fund and Fondel which are both aiming [at] the power sector.

"I think you'll see an e[xpanding] involvement [of] the capital markets as [an] equity provider," says [Mr] Santos, who expects eq[uity to] debt ratios in Latin A[meri]can projects to vary fro[m] per cent in the power s[ector] to 60 per cent of total [fund]ing for cable, telecom[muni]cations and sat[ellite] operations.

Toll road in Mexico City: operators hit trouble in the early 90s

■ Mexico: by Leslie Crawford

Rulebook needs review

Regulatory inconsistency has caused some recent projects to founder

Mexico's financial crisis in 1995 dealt a devastating blow to almost every aspect of infrastructure development, but the government is hoping to recover some lost ground by accelerating its concession programme in transport, energy and telecommunications.

It is hoped that by the end of 1997, private sector companies will be running most of Mexico's railways, a good number of its ports and airports, and that private consortia will be building the power plants and gas pipelines that Mexico will require in the next century.

Whether this in fact happens will depend firstly on the ability of private groups to raise long-term finance for infrastructure projects, and secondly, on the government's ability to deliver a transparent regulatory environment, with clear rules on pricing and competition.

Due to the dearth of long-term finance in Mexico, local groups are likely to seek foreign partners with access to international capital markets. Nobody wants a repeat of the private-sector toll-road building fiasco of the early 1990s, when construction was financed with expensive, short-term credit, and lower-than-expected traffic caused most toll operators to become insolvent.

The president, Mr Ernesto Zedillo, who promised before his election to increase investment in infrastructure by 25 per cent during his first year in office, found himself slashing capital expenditures by 22.3 per cent after the devaluation of the peso in December 1994. According to the finance ministry, spending on public works was up 34 per cent to 6bn pesos ($800m) in the first half of 1996, but even this rise has fallen short of the expectations generated by Mr Zedillo's election pledge.

Strapped for cash, the government has nevertheless moved quickly. Earlier this year, it revived a plan to attract private investment in the electricity sector, inviting bids for the construction of six power plants. In addition, private corporations such as Alfa and Cemex are building independent power stations to supply their own petrochemical and cement operations in northern Mexico.

More than $600m in private financing has also been raised for Samalayuca II, a 700MW gas-fired electricity plant that will be built a few kilometres south of the border from El Paso, Texas.

Samalayuca is the first power project to be built with private capital in Mexico. It is a joint-venture between General Electric, Bechtel Enterprises, El Paso Energy International and Grupo ICA, Mexico's largest construction group. Mexico's Federal Electricity Commission will lease the plant for 20 years once it is completed in 1998.

Energy ministry officials estimate Mexico needs to invest between $9bn and $11bn in the electricity sector over the next six years to keep pace with demand, which is growing at 5 per cent annually.

An earlier attempt to involve the private sector in power generation, during the administration of the former president, Mr Carlos Salinas, floundered because of a number of regulatory obstacles. No provisions were made to provide the new power plants with guaranteed supplies of natural gas; there was no independent authority to set electricity tariffs; and independent power producers were required to sell all their energy to the Federal Electricity Commission (CFE), the state monopoly that runs the national electricity grid.

Mr Zedillo's government has cleared some of these stumbling blocks. The gas sector, for example, has been partially liberalised in order to allow independent companies to build pipelines and market gas. The government has also established an Energy Regulatory Commission, which will be in charge of setting electricity tariffs.

Potential investors, however, are concerned about Mexico's heavily subsidised electricity tariffs, which would make any investment in the energy sector unprofitable without a sharp adjustment in prices.

The government, wary of exacerbating the economic recession, has deliberately allowed electricity tariffs to slip behind inflation, so that the cost of electricity is now only a fraction of that in the US.

There are no plans to create a free market in electricity, as private sector producers will still be required to sell all their production to the CFE, which will negotiate purchase prices.

What is still missing in the government's plan is a framework that would guarantee an attractive return on electricity investments. Private investors need tariff models that allow them to project electricity prices into the future. Chile, which privatised its electricity sector in the 1980s, has an independent regulatory authority that adjusts tariffs every year based on models that calculate profit margins for a theoretically efficient power producer.

No such model exists in Mexico. Instead, tariffs are set by the finance ministry without much consideration of the costs of production. Energy analysts estimate that the current price of electricity in Mexico barely covers the CFE's operating costs, while depreciation costs and new investment have been neglected during the recession.

Mexico's railways are also attracting foreign interest. So far, the government has put two networks out to tender: the scenic route between Chihuahua and the port of Los Mochis on the Pacific coast, which runs through the spectacular Copper Canyon, and the busy north-eastern network, which is almost 4,000km long and links the towns of Nuevo Laredo and Matamoros on the US border to Mexico City, and the capital to the ports of Veracruz on the Gulf coast and Lázaro Cárdenas on the Pacific coast.

"The north-eastern network is the jewel in the crown," says Mr Jorge Silberstein at the transport ministry, who expects the 50-year concession to attract strong interest from the merged Union-Southern Pacific railway company in the US, Burlington Northern-Santa Fe and Kansas City Southern.

The new concession holders will be handed networks that have been "cleaned" of debt. Mr Silberstein says that the government will continue to pay the pensions of Mexico's 50,000 retired railway workers, but a question mark hangs over the future of the state railway's 50,000 employees. "We are talking to the unions about job cuts," Mr Silberstein says. Meanwhile, collective labour contracts have been streamlined: the new, slimline contracts have 211 clauses, down from 3,045 clauses a year ago.

Mr Silberstein says the government also plans to begin the process of privatising Mexico's airports before the end of 1996. The first airport to be put to tender is likely to be Puerto Vallarta, a holiday resort on the Pacific Coast.

■ Brazil: by Jonathan Wheatley

The financing of the fifteen hundred

The president's hit-list of 42 urgent projects is but the tip of the iceberg

When President Fernando Henrique Cardoso outlined 42 high-priority infrastructure projects to Brazil's congress last month, he stressed that his plans had nothing to do with raising support for government candidates in October's municipal elections.

Such suggestions, he said, were ridiculous. "Our aim," he insisted, "is that [these projects] should contribute to securing Brazil a stronger, more competitive position among the world's nations in the next century."

Although his speech seemed timed to give government candidates a much-needed boost, there is no reason to doubt Mr Cardoso's long-term priorities. The handicap placed on Brazilian industry by its creaking infrastructure is typical of a country emerging from decades of protectionism and central economic management and is a big contributor to the notorious *custo Brasil*, a combination of taxes, high interest rates and other costs that make it hard for many Brazilian products to compete.

Mr Cardoso's 42 projects will cost an estimated R$54bn ($53bn) to the end of 1998. They are only part of the government's plans for infrastructure investment, which include no fewer than 1,500 projects. There is no prospect of the government's financing them itself. Estimates by CCF, a São Paulo bank, suggest public spending to the end of the decade will fall short of requirements by R$18bn a year.

The government hopes the private sector, backed by multilateral credit agencies and the National Bank for Economic and Social Development (BNDES), will help plug the gap. Changes to the constitution made last year allowed it to open to the private sector many areas of the economy previously reserved for state companies, including telecommunications, electricity generation and supply, transport, the petroleum industry, water supply and sanitation. Some service providers will be sold outright; others will be put under new management in the form of concessions.

There has already been some progress. Two sections of the federal rail network were transferred to private management earlier this year and freight tariffs have fallen by up to 50 per cent. Private companies are managing some federal and state highways; others have taken over construction of power stations, stalled for lack of public funds. The government's biggest achievement so far was selling controlling stakes in two big electricity distributors.

By early next year, the communications ministry hopes to sell concessions to operate "B band" cellular telephone services. The "A band" version, run by the state companies will follow, along with satellite and other value-added services and, finally, conventional telephony. The government hopes the number of lines per 100 inhabitants will increase from 8.5 to 15 by the end of 1998, and that the private sector – including foreign investors – will provide most of the estimated R$32bn needed to achieve that target.

In electricity, the government plans to sell its remaining generation and distribution companies. It will encourage state governments, which own much of the country's electricity industry and are even shorter of investment capital than the federal government, to follow suit. São Paulo hopes to sell electricity assets worth an estimated $20bn.

In transport, the federal government plans to sell the remainder of its rail network by the end of 1998. More roads will go under private management.

The need for investment is pressing. The telecommunications system has failed for years to keep pace with demand for services. The electricity industry faces the spectre of power rationing in two or three years if economic growth continues at recent levels.

Investment in transport offers impressive savings. In spite of Brazil's enormous size, most freight travels by road. Rice, for example, is transported by lorry from the south to the north east at a cost of more than $100 a ton. Carrying it by coastal shipping, says Mr Roberto Hukai, an infrastructure consultant at BVI-Technoplan in São Paulo, would cut this to $30 a ton.

Investment in river transport would improve access to deep-water ports in the north east for soya farmers in the centre of the country. From the port of São Luis, grain can be carried to Rotterdam in 500,000-ton ships for $3 a ton; getting it to the port currently costs about $55 a ton. Better river transport could cut that cost in half and give Brazil a big competitive advantage over soya producers in the US, says Mr Hukai.

Attractive though these projects sound, they will have to fight for a share of the world's investment capital with projects in other developing markets. Critics of Brazil's privatisation programme say it may lose out because it pays too much attention to raising money and not enough to improving efficiency.

"Brazil could learn a lot from Argentina," says one observer, "where private investors are set a target for delivery of, say, x amount of power to x number of customers and asked to provide a solution."

The Brazilian government has tended to design projects first and look for private financing second. A proposed pipeline to carry natural gas from Bolivia to Brazil, for example, has been criticised for being over-ambitious and putting the interests of Petrobrás, the state oil company that will operate the pipeline, over those of customers.

A law introduced last year provided the legal basis for granting public service concessions and has done much to boost investor confidence. The government is currently preparing legislation to establish regulatory bodies for the telecommunications and electricity industries. It managed to sell two electricity distributors and is likely to put cellular telephone concessions up for sale before the regulators are in place. (Investors consider the potential for growth in these areas big enough to risk rule changes later.) But real progress in most sectors will only come when the legal and regulatory environment is more certain.

Nevertheless, the flow of investment funds to Brazil is increasing. The International Finance Corporation (IFC), the private sector arm of the World Bank, has committed $263m in equity and $1.61bn in loans to 131 projects and has already succeeded in attracting overseas private investors through its syndicated loan programme.

■ **Argentina:** by David Pilling

Moving closer to the sell-off dream

The Argentine government's privatisation ideal is becoming more of a reality

Like most Latin American countries, Argentina needs huge investments to bring its largely dilapidated infrastructure up to scratch – $35bn to be exact. That, at least, is the amount the government estimates must be spent by the turn of the century.

Fortunately, some of this is already spoken for. Argentina, which has carried out Latin America's most sweeping privatisation programme, has shuffled off responsibility for investment in several key areas.

The energy sector, for example, is entirely privatised at federal level and partially so in the provinces. The privatisation of power in the early 1990s saw the gas and electricity industries broken up into generation, transmission and distribution companies.

"The model is working well," says Mr Jorge Martinez Riva, an energy specialist with the Inter-American Development Bank. "Prices have dropped a lot and the system is satisfying demand."

In the telecoms sector, too, private investment has been assured by sale of the state-owned Entel to foreign groups. Telefónica of Spain, Stet of Italy and France Telecom have committed themselves to billions of dollars of investments to the year 2000 in modernising and expanding a system that had fallen into ruin.

CTI, operated by GTE and AT&T of the US, has invested some $800m in forming a cellular network in Argentina's interior after winning Latin America's biggest cellular contract in 1994.

The country's radical privatisation strategy has also secured several other huge infrastructure investments, notably a $4bn spending programme by Aguas Argentinas, which runs sewage and water facilities in Buenos Aires.

Such investments are not free, of course. Argentine business, for example, complains of the exorbitant tariffs it must pay on international and long-distance telephone calls.

The government estimates that $13bn of the required $35bn in expenditure will be met by privatised companies. This leaves $22bn to be found, too much for an administration desperately seeking to cut spending.

The chosen strategy is to open up infrastructure still further to the private sector. About 10,000km of the 38,000km of roads maintained by the federal government have been placed out to concession, for upgrades and maintenance. Only roads with guaranteed traffic of 2,000 vehicles a day have been considered, helping to avoid the problems of excessively high tolls experienced in Mexico.

Consequently, only a fraction of the 216,000km in Argentina are under private management. Much of the rest of the network is in a sorry state. Many provinces, such as those of the poor north-west, do not have viable connections with potential markets in Bolivia and Brazil, obliging exporters to take long and expensive detours, or to abandon their export ambitions.

The advent of Mercosur, a customs union linking Argentina with Brazil, Uruguay, Paraguay and Chile, has helped to expand inter-regional trade greatly over recent years. But Mr Ricardo Lagos, Chile's public works minister, is not alone in believing that the dream of regional integration could founder on the rock of inadequate communications.

Mr Lagos says the state must show "political will" in developing a comprehensive and high-quality road network linking the Atlantic with the Pacific coasts. Political will means finding hard cash, where the private sector is unlikely to come up with the goods.

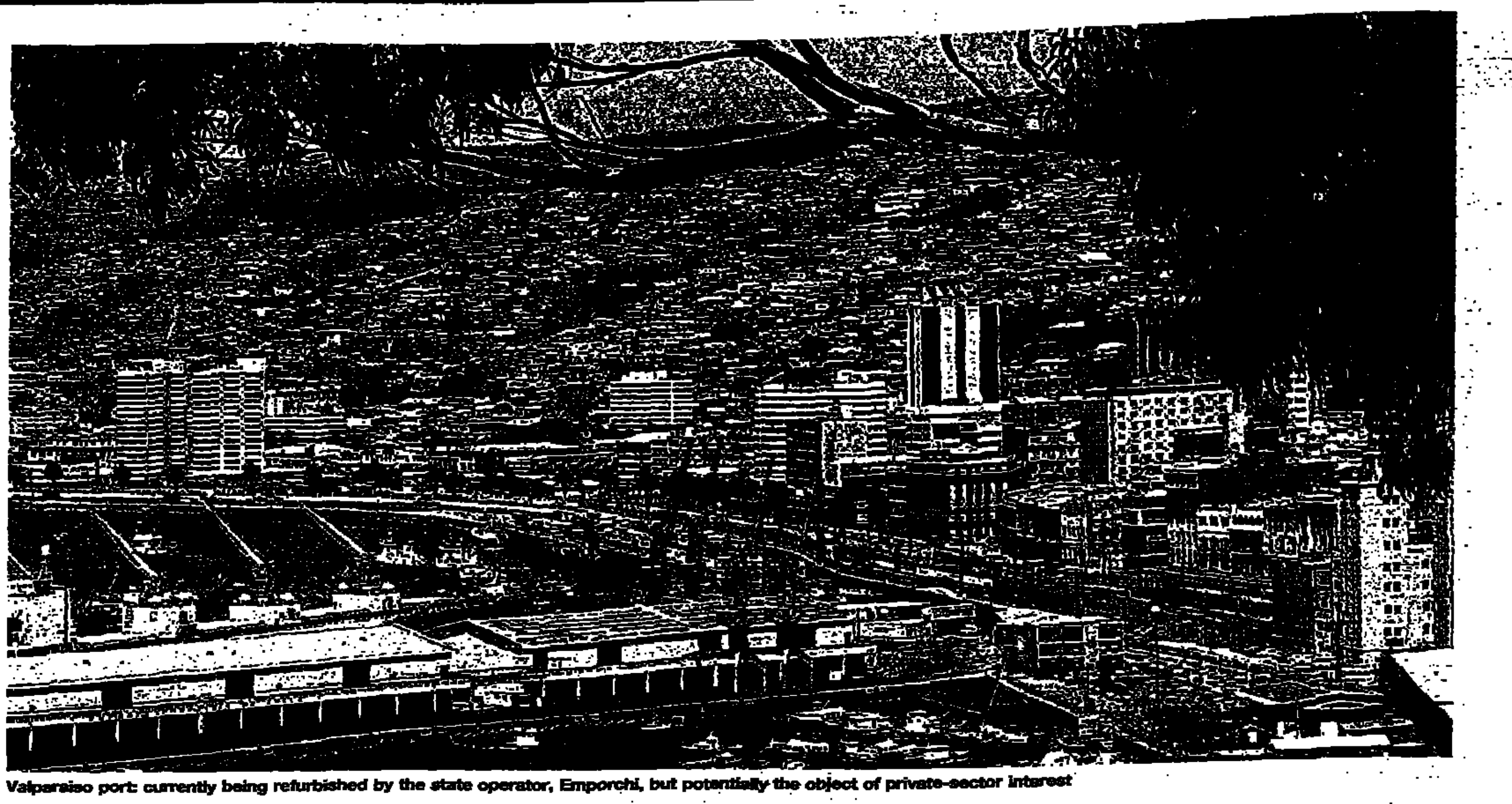
Improving road links with neighbouring countries is one thing, but Mr Carlos Bastos, Argentina's energy minister, warns against the public sector dreaming up grandiose schemes.

Argentina has had long experience of white elephants. Most notorious is the Yacyretá 3,000MW hydroelectric plant, jointly owned with Paraguay, a project into which Argentina has poured $8bn. The plan is now to sell a 30-year concession on Yacyretá, with the private-sector operator paying for completion of the plant.

Mr Bastos is also hoping to privatise Argentina's three nuclear plants, the third of which needs a $700m investment to reach completion. He says the Argentine state will in future shun projects on this scale. From now on, the private sector must take the risk.

There are precedents. Novacorp of Canada has begun to lay pipe for a $700m pipeline that will transport Argentine gas across the Andes to Santiago, the Chilean capital. Argentina has potentially huge reserves of gas and there are already tentative plans to build a far bigger pipeline between fields in north-east Argentina and São Paulo in Brazil, where gas only fulfils 2 per cent of energy requirements.

Perhaps the most ambitious plan of all is to build a 42km bridge over the River Plate between Buenos Aires and Colonia in Uruguay. The bridge, which would cost an estimated $1bn and be the longest in the world, would form the spine of a motorway link between Buenos Aires and São Paulo. For years an idle dream, the Buenos Aires-Colonia bridge took a step closer to reality this year when the Argentine and Uruguayan governments agreed to put the project out to tender.



Valparaiso port: currently being refurbished by the state operator, Emporchi, but potentially the object of private-sector interest

■ **Chile:** by Imogen Mark

New deals and new demand

Better refinancing packages will help the country to build on private sector support

Chile, whose economy has been growing at a steady 7 per cent a year for the past decade, is starting to burst at the seams.

In some sectors, such as energy and telecommunications, the private sector is responsible for almost all facilities, and there has been steady and substantial investment since the beginning of the decade.

In telecoms, for example, half a dozen companies are expecting to put in a total of US$5bn in new lines and equipment by the end of the decade. In the energy sector, the industry reckons to double total existing capacity within eight years to keep up with a projected growth in demand of 7-8 per cent annually. That means investment in new generation, transmission and distribution facilities.

The big new development in energy has been the beginning of an integration programme with Argentina. The first step is the building of a US$480m pipeline across the Andes to bring natural gas from Argentina to Santiago next year. GasAndes, the Canadian-Chilean consortium involved, is planning an immediate extension to the Valparaiso region, and a third pipeline from Argentina to the southern city of Concepcion by the end of the decade. There are less advanced plans by another consortium to bring gas to the mining areas of the north.

The private sector is also getting involved in transport. Since 1991 the government has been slowly implementing a system of private concessions for new roads, paid for by tolls. The first project, a road tunnel for US$42m in northern Chile, was awarded in 1993, and set in motion last year. A second small road project – undertaken for the forestry industry in the south and worth US$29m – was awarded in 1994 and is nearing completion.

Last year, the system began to pick up speed, and three larger road concessions were given. These included the first contract for work on a section of the PanAmerican Highway, the north-south route that runs most of the length of Chile from Arica, the northernmost city, to Puerto Montt in the south. The aim is to upgrade 975 miles of the highway from La Serena, 300 miles north of Santiago, to Puerto Montt. The journey time would be cut from the current three-day marathon to less than a day, at an estimated cost of US$1.2bn.

The original plan was to have awarded all eight concessions for the PanAmerican Highway by the end of this year. So far, bids are in for a second section, and tenders should be out for three more contracts – which will be awarded in the first half of 1997 – by the end of the year. The ministry says the project is proceeding with reasonable speed and that the construction industry is not pressing to go any faster. There are only limited human and financial resources, both public and private, the ministry says, to carry out the necessary technical studies.

Financing for the projects done so far has been a mix of equity capital and bank lending. The next stage, designing re-financing packages that will allow the building consortia to sell on concessions to long-term investors, is proving more problematic.

In principle, the private pension funds, which currently manage total assets of US$26bn, are authorised to invest up to 5 per cent of their portfolios in infrastructure projects. But limitations on the way these investments can be made – essentially only through separate real estate funds – have made them unattractive so far to the fund managers.

Things, however, may be about to change. One project, led by Tribasa, a Mexican construction company, hopes to place a US$66m bond issue with the Chilean subsidiaries of three big international insurance companies.

As well as the inter-urban highways, there are plans for three new toll roads to help relieve the growing congestion in Santiago. The president, Mr Eduardo Frei, recently announced investment plans of US$1.1bn to improve public transport in the capital, including a US$140m extension to the metro network. A third metro line is already under construction, and due to open next year.

The railways are also being privatised and modernised. The cargo service south from Santiago was sold in 1994, and the northern cargo service, Ferronor, is to be sold by the end of the year. Track repair and maintenance is to be awarded in concessions, in three stretches. The first leg, 250 miles south from Santiago to Chillan, needs an estimated US$100m in new investment.

Chile's port system, a mixture of public and private operators, has been growing and modernising in fits and starts. Private facilities operated by, for example, mining companies exclusively for their own production, actually handle the biggest volume – 41 per cent of all cargo. A few private commercial ports take care of another 20 per cent of all cargo, and the state ports company, Emporchi, with its 12 prime sites, deals with the other 39 per cent.

Emporchi has spent US$53m on rebuilding and modernising San Antonio, one of its two main ports, and is now refurbishing Valparaiso, the bigger.

A law now before Congress would allow private operators to run facilities within the state ports but the regulations and conditions are still being debated.

■ **Colombia:** by Sarita Kendall

Long route to good roads

Private investors have tended to favour the power and telecoms sectors

Colombia's geography makes for dramatic scenery but very expensive infrastructure. And though there are advantages to having population and industry spread over the country in several large cities, it also pushes up transport and communication costs.

However, when it comes to financing infrastructure, Colombia has a head start over the rest of Latin America. "The investment grade rating gives it a leg in the door anywhere," says Mr Philip Tingle, financial manager of Codad, the consortium that won a 20-year concession to build the second runway for Bogotá's international airport and to maintain the two runways. "Colombia is quite advanced as to the concept and acceptance of concessions and there are good projects and opportunities."

The capital's airport is one of the busiest in the world but, at the moment, has only one runway. The time spent circling is costly for airlines and frustrating for passengers, while requests for extra flights cannot be met. The new 3.8km-long runway is due to be ready in two years' time and, because it is 1,400 metres from runway number one, Bogota could, in the future, be operated as two separate airports.

Eighty per cent of the funding for the project has been raised by floating a US$116m 15-year bond issue in the American market. Codad will collect the landing rights from all commercial flights for both runways.

According to Mr Tingle, this is the first leading airport privatisation in Latin America. It co-exists with increasing liberalisation in the Colombian sector: the management of the airport at Cartagena has already been awarded to the operators of Amsterdam's Schipol and that of the other main airports will also be handed over to concessionaries.

Colombia's commitment to opening up to private investment is symbolised by the creation of a special section devoted to "private participation in physical infrastructure" within the National Planning Department. It is also reflected in the development of regulatory frameworks for the energy, telecommunications and transport sectors, though the deadline for inviting bids to compete on long-distance telephone services has been put back.

The reason for the commitment is simple. "Colombia can't afford the level of public spending needed for infrastructure – private resources must fill the gap and leave public money for social programmes. We've done the institutional and legal reforms and resolved many of the problems concerning concessions," says Mr Nestor Roa, head of the infrastructure division at the National Planning department.

Mr Roa considers that private investors worried about the risks involved can be given some guarantees – such as minimum income – but thinks that each case should be assessed on its own merits.

"We don't see that there are exchange risks for the foreign investor in the medium and long-term – in fact, there could well be a revaluation of the peso, so we want some give-and-take when considering risks. It may be worth covering risks if this makes a project more financially viable," he says.

Certainly, the need to encourage new investors is strong. Between 1987 and 1994 combined public and private investment in infrastructure (excluding oil and mining) averaged just over 2.5 per cent of GDP, a low rate for a country whose road and electricity coverage is poor. At least half of Colombia – mainly the less populated half – is not connected to the national power grid. Energy losses run at more than 22 per cent and the quality of electricity services is low, with frequent breakdowns.

The transport picture is worse: there are few real highways and only 314km of paved road per million inhabitants. Fifty per cent of the main roads wind through steep cordilleras, with bridges and tunnels in constant need of repair. The rail system, which carries about a million tons of cargo a year, has less than 1700km of line in service.

The government aims to raise spending on infrastructure to 5.1 per cent of GDP, mainly by increasing the private sector component. Both the Inter-American Development Bank and the World Bank are providing technical and other support for transport projects. Two bottlenecks – delays in issuing environmental permits and the need for more detailed designs at an early stage – are already being addressed.

The World Bank is involved in the Bogota-Puerto Salgar road, which covers the construction of 74km of new road and repairs on a further 200km, cutting distance and travelling time between the capital and Medellin and the Caribbean coast. It will be put out to bidders in the next few months.

"This is a costly, strategic link and also a pilot project, and we hope to attract foreign companies," says the Bank.

Road projects, however, are generally less attractive to foreign financiers. Money usually has to be raised locally, with shorter loan repayment periods. The projects themselves involve specific risks: tolls are not popular in Colombia and in some areas booths have been blown up by guerrillas.

Two sectors that do draw foreign investment are telecommunications and energy. "The government has done a good job in regulating power – this started in response to the 1992 rationing crisis. Colombia looked at various models, including Argentina and the UK, and has even improved on them. Though the process has been slow sometimes, the regulations have been fine-tuned to meet investors' concerns. There are also major developments in gas to come," says Mr John Rutherford of Schroders' international projects division.

Schroders is one of a group of companies advising the government on the sale of 2000MW of generating capacity. The hope is that the companies that buy these utilities will also invest in new generating facilities: over the next 10 years some 6000MW need to be added to Colombia's existing capacity of 10,000MW. Tariff problems are gradually being ironed out and, although there are still cross-subsidies between high- and low-income sectors, the dismantling process has begun.

A long drawn-out political crisis, triggered by accusations of drug funding of the presidential election campaign, has affected economic performance and the 1996 growth forecast is now around 4 per cent. However, foreign companies evaluating infrastructure projects tend to take a long-term view and are impressed by the country's economic growth and sound management record.

The one project that does not seem to be arousing any international enthusiasm is the biggest of all: the construction of a canal across northwestern Colombia, joining the Caribbean Sea to the Pacific Ocean. Its implications are profound: it would tear apart one of the world's richest areas in terms of biodiversity and probably cost a lot more than the government's entire infrastructure plan for 1995-98.

On the waterfront: King Kong (left) and Jurassic Park (right) are to come to town in five years after nearly a decade of attempts to establish a rival to match the successful attractions of Tokyo Disneyland

Picture: Universal City Studios

■ **Universal Studios:** by Gerard Baker

Osaka mounts giant movie theme park challenge

The long-term aim of the project is to bring the economy of the region back to life

Tokyo's Mickey Mouse is about to get a Kansai cousin – King Kong in Osaka. In five years time, in the heart of the city's waterfront area, a host of Japanese and international backers will launch Universal Studios Japan, a near perfect replica of the giant movie theme park in Florida.

The project, the first Universal theme park outside the United States, will mark the culmination of almost a decade of attempts by the various parties to establish a rival to the phenomenally successful Tokyo Disneyland, which opened on Tokyo Bay more than a decade ago. And it marks a considerable coup for the local government in Osaka itself in its attempts to revitalise the city and to shed once and for all its image as a drab, industrial wasteland.

The first rough plans were drawn up ten years ago, when MCA, the company that owns the Universal name and all that goes with it, began looking around for a Japanese version of the theme-park model. In Orlando, Florida, a bigger, better park than the Los Angeles original was opening, and given the enthusiasm of the Japanese for the American motion picture industry, the country seemed like the perfect location for the next attraction.

MCA teamed up with an unlikely partner: Nippon Steel, the world's largest steel maker, which owned a number of huge plants all over Japan, but which was in the process of a prolonged restructuring. The steel company had already toyed with plans to turn some of its old steel mill sites into theme parks, and it proposed a couple of possible locations for MCA.

In the turbulence of the next few years, however, those early plans were gradually shelved. First Matsushita, the electronics giant, bought MCA, complicating the negotiations. Then the bubble of soaring land prices burst, and the Japanese economy entered a protracted downturn.

But a few years ago, the plan was revived with the help of the Osaka city government.

The city, anxious to develop some if its decaying industrial city-centre sites, stepped in and offered MCA the opportunity to build right in the heart of Japan's second city. With little prospect of lengthy planning problems, the company and a host of financial partners, jumped in.

"Osaka presented us with a very attractive proposition," says Mr Yoji Yamamoto, representative director of MCA in Japan. "The site was a good one and they offered us the prospect of smoothing over all the usual problems associated with such a big project."

For Osaka, the deal looked just as attractive. Independent estimates suggest that if successful, Universal could bring in as much as Y1,000bn per year for the local economy.

"We saw the chance to build a project that would not only restore some of the old industrial coastal areas of the city, but would ultimately be a great benefit to the whole of Osaka," says Mr Keisuke Morita, then a director of the Osaka Port Authority and now president of Universal Studios Japan.

By February this year the basic plans were ready and the project formally announced. The company, Universal Studios Japan Corp, has initial capital of Y4bn, of which a quarter was subscribed by the City of Osaka, 10 per cent by Sumitomo Metal Industries and 5 per cent by MCA affiliates, Sumitomo Corp, the trading company, and Hitachi Zosen, the shipbuilder. The rest will come from more than 30 other companies. By the time the park opens in 2001, that capital will have risen to Y40bn, with a substantial stake to be held by the British-owned Rank Organisation.

Clearance work on the 54ha main park site will begin soon and construction proper gets under way in 1998. The park will have good access to the main arterial rail and road routes and is just across the bay from Kansai International airport.

Comparisons with Tokyo Disneyland form the mainstay of financial projections for the operation. About 16m people a year visit the bigger Tokyo park.

That represents a total of about one quarter of the local Tokyo population plus a significant proportion from further afield. Applying a similar formula gives an estimated 6m local visitors a year to Universal and about a further 6m customers from more distant sites. In all, they are expected to spend about Y1,500bn per year. On this basis, USJ should be operating at a profit after four years, and should have repaid all loans after 13 years.

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Since the land is leased, there will be no lands collateral available to secure the loans, the traditional lending pattern in Japan, and banks can be expected to look for firm guarantees from the various companies involved.

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It is an ambitious goal, and one that will require more than just the appeal of a popular theme park. But if it can be achieved, it will play a crucial part in the regeneration of the entire Kansai region.

■ **Financial institutions:** by Emiko Terazono

Confidence eroded

The Osaka municipality has refused financial aid for the loan recovery bank

The balance of the state-run postal savings in Kansai has risen sharply. This has been one of the more conspicuous reverberations of the erosion in confidence triggered by last year's turmoil among the financial institutions based in the region.

Although all depositors of the failed Kizu Credit Union, based in Osaka and Hyogo Bank, a Kobe-based regional bank, were bailed out and the finance ministry announced that the worst was over, many have chosen not to turn to private banks and credit unions. As a result, the postal savings balance in Osaka, Hyogo and Nara recorded double digit increases.

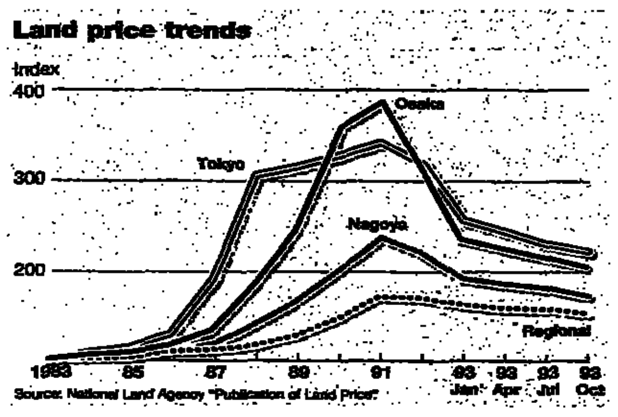
Indeed, although stability of a sort has returned to Kansai's financial community, the depositors and investors have not quite got over the liquidations of one of the country's largest credit unions and a leading regional bank. They remain unconvinced of the health of the region's institutions.

While the direct trigger of the region's problems has been the devastating Kobe earthquake early last year, financial authorities point to some symptoms typical of Kansai for the institutions' woes.

The root of the problem was the fierce competition over market share among regionally-based financial institutions in Kansai. Bolstered by record low interest rates and the subsequent asset boom during the late 1980s, the banks aggressively lent to projects linked to real estate.

On top of the smaller regional institutions well-established in Kansai, large city banks based in Tokyo also joined the fray, adding to the heated race to extend property related loans.

Land price trends



Source: National Land Agency "Publication of Land Price"

Although the whole nation was caught up in the property boom, the excessive competition in Kansai caused a sharp rise in property prices in Osaka, exceeding any other region in Japan including Tokyo.

The property boom in Osaka came a few years later than that of Tokyo, but at its peak in 1991, commercial land prices in the region rose 3.9 times from that of 1983 levels compared to 3.4 times in Tokyo. Residential prices in Osaka tripled during the same period while in Tokyo prices rose 2.5 times.

In the wake of the burst of the asset "bubble", the surge in property values resulted in an equally sharp drop, making Kansai home to some of the more notoriously troubled financial institutions. In order to ensure liquidity, the institutions offered excessively higher returns on deposits.

Prior to the collapse of Kizu and Hyogo, the code name jokingly used within the financial community when referring to Kansai's problem banks – Hyogo, Hanwa Bank and Bank of Osaka – was H_2O. Hanwa and Osaka have managed to withstand the sharp fall in deposits prompted by the failure of Hyogo, but both have been forced to liquidate financial and leasing affiliates.

Kizu was referred to as the bad loan *yokozuna* (sumo champion) in western Japan, while Cosmo Credit Union was dubbed the *yokozuna* of the east – the latter had failed a month prior to Kizu.

When the failure of Cosmo last summer triggered massive deposit withdrawals at Kizu, causing the Osaka municipal government to order its suspension, the ministry of finance and the Bank of Japan, fearing a spread of loss of depositor confidence announced a rescue plan for Hyogo at the same time.

With assets of more than Y3,967bn, Hyogo was among the world's 200 largest banks. It lent an estimated Y1,470bn to property-linked projects and was left with large contingent losses after the collapse of the property market. The Kobe earthquake damaged the largely uninsured property, resulting in an addition to bad loans, while the local population's urgent need for cash for reconstruction led to a draining of deposits.

While the assets and liabilities of Hyogo have been transferred to a new bank with the help of local businesses and Bank of Japan loans, Kizu has been liquidated and its bad loans transferred to the new bad loan collecting entity.

The Resolution and Collection Bank, modelled after the Resolution Trust Corporation of the US, was launched at the start of this month and will try to recover loans of bankrupt credit unions. Aside from Cosmo, Kizu, and Tokyo Kyowa and Anzen which were liquidated in 1994, the RCB has also taken on the bad loans of three other bankrupt Osaka-based credit unions Osaka, Sanyo and Kenmin.

With four of its credit unions under the umbrella of RCB, Osaka is facing pressure from the ministry of finance to provide financial aid to cover loan collection costs.

While the Osaka municipal government has refused to provide financial aid for RCB due to strong opposition among residents, the ministry of finance is expected to continue lobbying for its contributions. With more small credit unions expected to go under, the ministry wants the Osaka government to set a precedent for other municipal governments.

Meanwhile, the Osaka financial community was also shaken last year by the Daiwa Bank affair, where a bond trader in the US hid losses of $1.1bn from unauthorised bond transactions over a 11-year period. Although Daiwa is one of the country's leading 21 banks, a large part of its business is conducted in the Kansai region and it is regarded as a large regional bank.

Revelations that the bank had told ministry of finance officials caused an uproar within the international financial community, while suspicions of organisational involvement resulted in the bank's expulsion from the US.

At the time when the scandal broke, Sumitomo Bank, which is also headquartered in Osaka, showed regional camaraderie by indicating it was ready to support Daiwa and buy its US assets. This heightened expectations of a merger between the banks. However, although Sumitomo's calls calmed investors and depositors, such expectations have since died down due to apparent reluctance on the part of Daiwa to participate.

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Real GDP (Kansai)	-0.3	1.7	3.5
Growth in public sector spending	4.3	22.3	4.7
Real GDP (Japan)	0.6	1.6	2.6
Growth in public sector spending	1.3	4.3	3.8
Difference in growth rates (%)	-0.9	0.1	0.9

Source: Sanwa Research Institute

■ **Kobe:** by Michiyo Nakamoto

More than houses shaken

Community spirit showed up the shortcomings of a highly centralised government

More than a year and a half since Kobe was hit by an earthquake that devastated much of the city, killed more than 5,000 citizens and displaced tens of thousands more, the restoration of city life appears, on the surface, to be making good progress.

More than 80 per cent of sea routes from Kobe have resumed regular service and trading has returned to pre-quake levels. Many of the main buildings that collapsed have been rebuilt and the city centre is once again bustling with activity.

But even as time has allowed the city to rebuild its infrastructure, and most of Kobe's larger companies have resumed operations, the scars that have been left by the earthquake on citizens, remain deep.

In addition to the bent steel and crumbled concrete that has become an enduring image of urban vulnerability, the earthquake left in its wake a different kind of destruction – that of the human relationships which constitute the fabric of communal life.

Many Kobe citizens, unable to overcome the horror of their experience in the early morning of January 17 1995, and the strains from the difficult living conditions forced on them in the aftermath and from the destruction to life as they knew it, have become estranged from family and friends.

Doctors have reported increased cases of post traumatic stress disorder, with symptoms ranging from sleeplessness to aggressive behaviour, putting tremendous strain on relationships both at home and in the workplace. Marriage counsellors have noted a large number of divorce cases triggered by the difficulties of living in the aftermath of a major tragedy.

Many of those who lost their homes and were forced to move into temporary housing provided by the government, found themselves unable to cope with the unfamiliar environment and the loneliness of being uprooted from their communities.

In particular, many elderly and disabled people who were given priority by the authorities in receiving temporary housing, suffered from being displaced from their familiar surroundings and from the lack of regular human contact in an artificial village of makeshift houses occupied by total strangers.

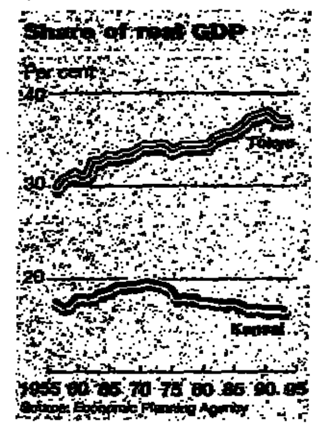
Immediately after the temporary houses became available, more than a dozen elderly citizens, many of whom lived alone in their new and strange neighbourhoods located miles outside the city, quietly passed away. Some were only found days after they had died.

As the experiences of Kobe's citizens in the aftermath of the earthquake show, the lessons provided by the tragedy go beyond those of seismology and structural engineering.

The earthquake which shook Kobe has reminded the Japanese public of the importance of the community in urban life, particularly in times of disaster.

Whether or not a strong sense of community existed in a particular area has made a significant difference to the ability of local residents to limit the damage from the earthquake and then to rebuild their lives, says Mr Kikuo Nishibori, a director of the Osaka Institute of Local Government.

Osaka: headquarters of the scandal-hit Daiwa Bank Picture: Reuter



Source: Economic Planning Agency

In the immediate aftermath of the earthquake, public disaster relief efforts often failed, in part due to the extent of the damage inflicted and the lack of preparedness on the part of the authorities. Firefighters often could not reach blazing residential areas and, in the period following the disaster, many elderly or disabled people were left without the kind of care and attention they required.

However, in areas where a strong sense of community already existed, people were able to help themselves deal with the disaster without waiting for help from public services, which was often late in coming.

For example, in the Mano district, one of Kobe's worst-affected areas where nearly 60 per cent of houses were destroyed, the existence of a strong community movement helped mobilise residents to put out the fires which erupted before the firefighters arrived, rescue residents buried under debris and limit the number of those killed.

Mano's experience in organising residents to achieve a goal, which had been developed through past community efforts, proved particularly effective in distributing food and relief goods to residents in a fair and efficient manner.

"People living in temporary shelters, those who are displaced, need to be taken care of. But unless a community exists where those temporary shelters are, such care cannot be provided," Mr Nishibori points out.

Kobe: one of the three great western Japanese cities, but long overshadowed by the hegemony of Tokyo

It has been the initiative of local residents in organising community efforts to extend a helping hand, which has prevented the isolation of the elderly and disabled in temporary housing districts, rather than any measures adopted by the central or local authorities.

At the same time that the earthquake highlighted the importance of the local community, it revealed the shortcomings of a highly centralised government such as Japan's in responding to a big and widespread disaster.

Critics of government efforts to restore Kobe to normal, point out that the concentration of power in the central government not only prevented a quick response to the disaster but has also delayed the rebuilding of many areas and made it difficult for small businesses to resume operations.

For example, authority over important decisions on property development and land usage rests with the central, rather than local, government, making it a difficult and time-consuming process to rebuild damaged areas in a way that both satisfies the local community and meets the regulatory requirements.

The rigid division of responsibilities that characterises the central government has also made it difficult for many people to overcome the problems of rebuilding their lives in dramatically changed circumstances, notes Mr Nishibori.

For example, a shop-owner who has lost his shop, which is also his residence, has to deal with bureaucrats overseeing commercial matters and those in charge of housing issues. And if he wants to set up his shop/residence in another district, the situation becomes even more complicated since he will have to deal with the authorities in charge of both his old district and the new one. Since there is no one he can go to who can deal with the problem as a whole, it becomes an extremely time-consuming process, Mr Nishibori says.

Mr Nishibori and others point out that there is clear need to devolve authority to a more local level.

Nearly 49,000 Kobe citizens still live in temporary housing that was intended to last for a period of just two years.

Unless the government acts on the lessons provided by Kobe, not only will the process of rehabilitating the tens of thousands of Kobe's citizens who still do not have a home, a job, or both drag on, the same failure in disaster relief and reconstruction that has been demonstrated this time, is likely to be repeated in a future tragedy.

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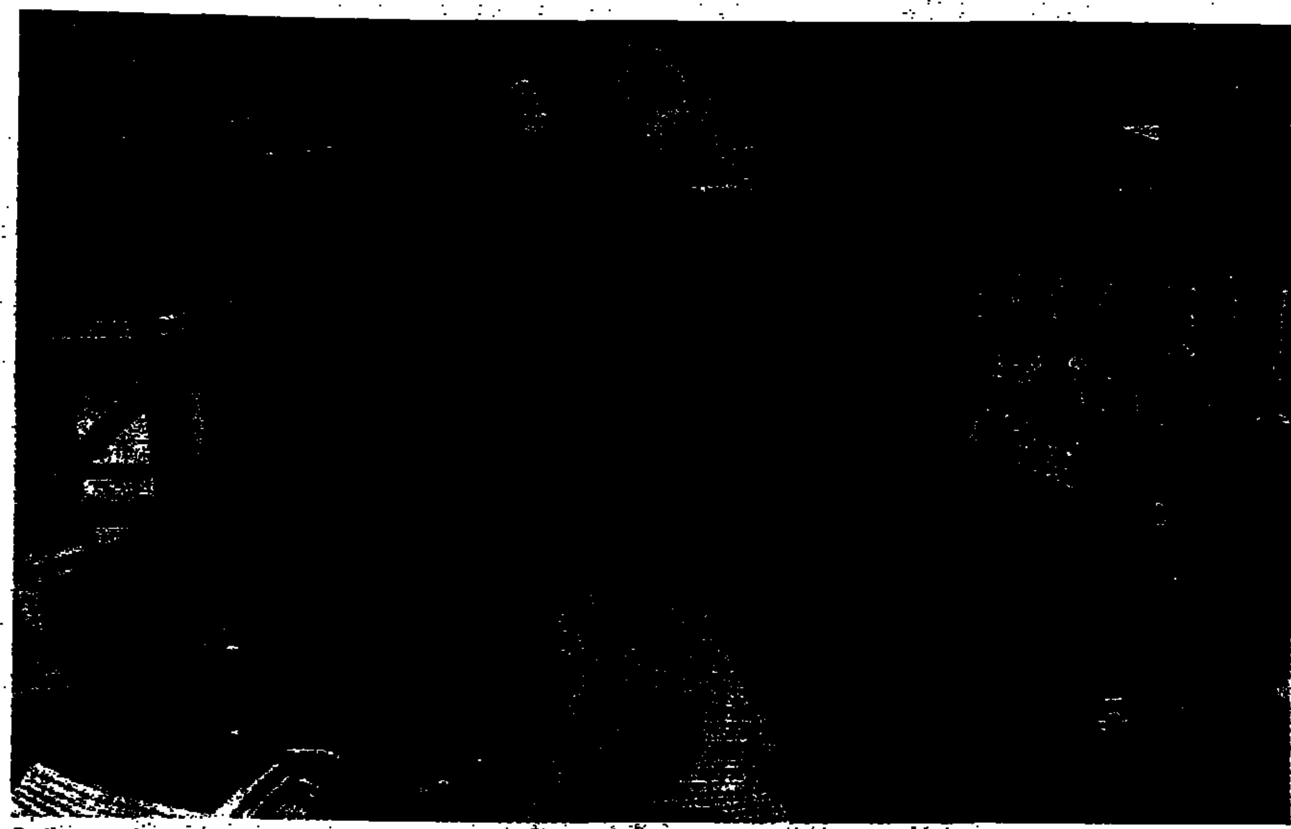

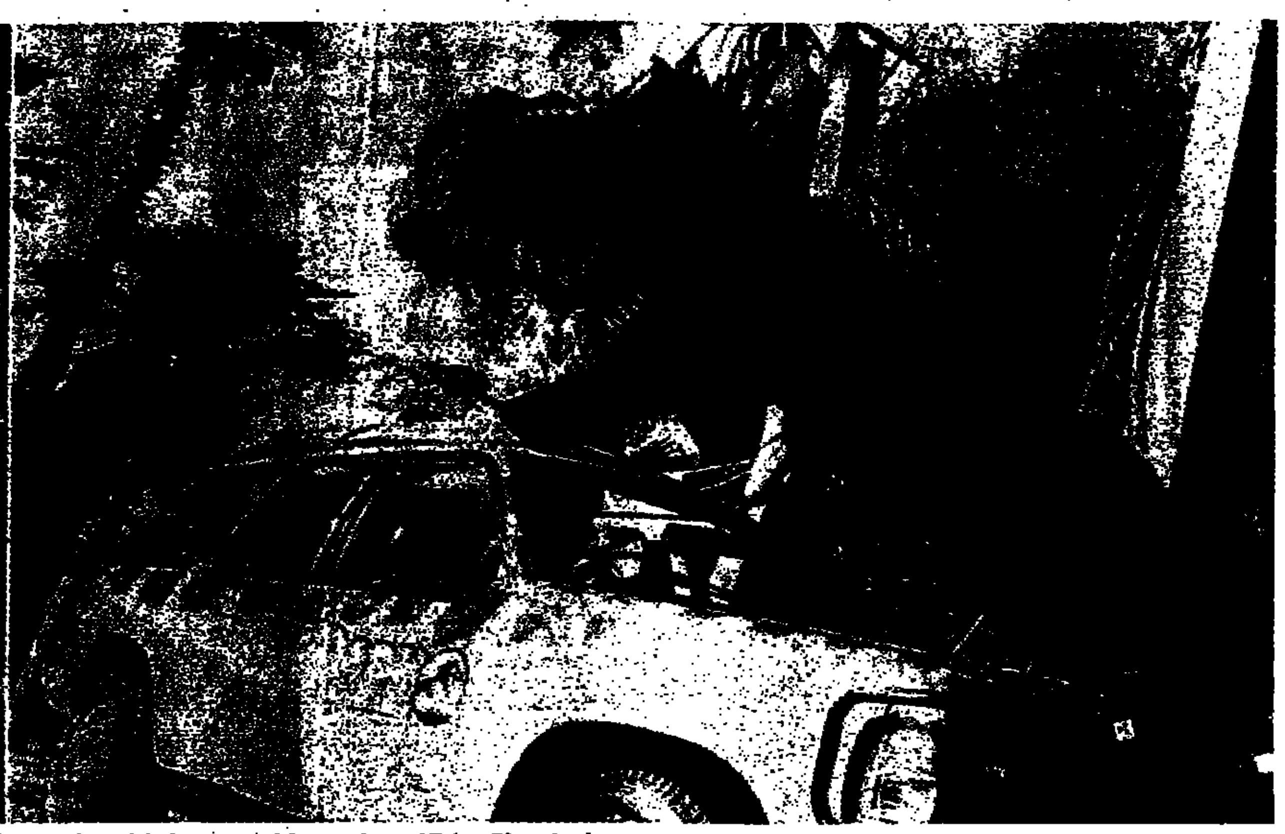

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■ **Universal Studios:** by Gerard Baker

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The long-term aim of the project is to bring the economy of the region back to life

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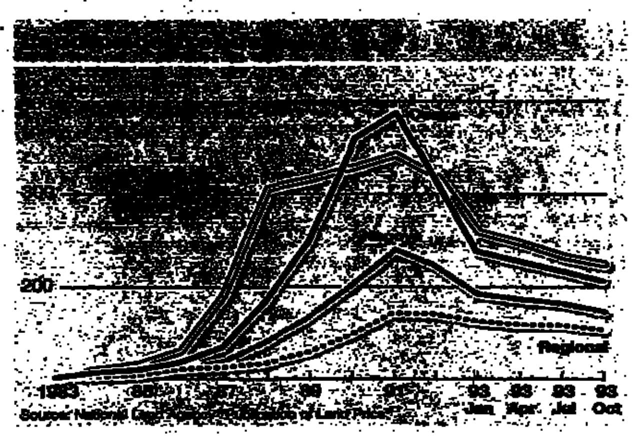

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Source: Sanwa Research Institute

■ **Kyoto:** by Gerard Baker

At first, a city of blight not light

Even the concrete and steel cannot vanquish the spiritual serenity of the place

Paris East, they call it, and though the soubriquet was awarded in recognition of the exquisiteness of its cuisine, Kyoto likes to think of itself as a proper member of the club of world cities rich in the full range of cultural and artistic heritage.

With more than 1,000 years as the nation's capital behind it, and as home to thousands of places of historic interest it offers the tourist an architectural cornucopia every bit as inviting as the attractions of Paris.

But as they step off the train at Kyoto's bullet train station in the heart of the city, the 35m tourists who arrive every year could be forgiven for seeing a city of blight rather than a city of light.

Like most Japanese urban concentrations it presents a chaos of concrete and glass, with little concession to unifying architectural themes or to historic traditions. Instead, huge grey facades of offices and factories jostle for room with the pagodas and temples.

The most recent horror to have been perpetrated on the city's skyline may prove to be the final straw, however. Smack in front of the station, nearing completion after four controversial years, is a gleaming new green and blue glass office building. Like a perfectly placed blackout curtain it neatly eliminates what was left of that first panoramic view the city offers over its roofs and gables. The protest it has provoked from residents and tourists alike may at last have forced Kyoto's planners (they do exist) to think more carefully in future before they approve.

"The station building has certainly been controversial," acknowledges Mr Tsutomu Hirano, of the Kyoto city tourism board, with a wistful smile. "But it is unlikely to happen again. We now have clearly designated areas that we are committed to preserving because of their historic significance."

Ninenzaka, a winding, stone-paved pilgrimage route to Kiyamizu Temple in Kyoto

To the casual observer it seems incredible that a city, whose ancient assets were enough to ensure its exemption from the US carpet bombing of Japanese cities in the last year of the second world war, could have succumbed to the ravages of its own builders and town planners. But, in fairness to the city, there are explanations for the spoliation of Kyoto that lie deep in the country's social and economic roots.

Perhaps the most important reason is the essential evanescence that necessarily attaches to the city's stock of buildings. Regularly ravaged by earthquake, typhoon and fire, the life expectancy of most of Kyoto's building has never been long. And as Mr Toshihazu Higashikawa, of the city planning office, points out, it is only this time that the traditional need to rebuild the city frequently has caused such controversy

"Throughout our long history, every 100 years or so, we have been forced to rebuild almost from scratch because of disasters of one form or another," he says. "In the past, we were simply replacing wooden structures with wooden structures. Now we are substituting steel and concrete for wood - and that provokes much more hostility."

The casual tourist must also sympathise with the city's economic priorities. Though tourism is an important source of revenue, providing about Y520bn, or 10 per cent of the city's total income, Kyoto is, primarily, a modern industrial city, home to some of the biggest names in Japanese manufacturing, such as Nintendo and Kyocera

"We have to remember that we have 1.5m people living in Kyoto," says Mr Higashikawa. "We cannot improve the quality of their life simply though a policy of preservation. We need to strike a balance."

But the problem is that the balance tilted almost irrevocably in the direction of economic growth in the late 1980s, with more disastrous consequences for the Kyoto skyline. In the so-called "bubble" period, as the whole Kansai region experienced a rapid increase in land prices, the temptation to build became too much for most property developers, and the damage was done.

Now, in the wake of the battle over that last great eructation of bubble inflation, the new station building, the local government has imposed tougher rules on would-be developers. The ancient centre of the city, home to most of the familiar sites, is tightly ring-fenced against further development.

New industrial and commercial buildings are to be mostly confined to the less architecturally rich southern part of the city. And the green hills that surround the city and give it its natural basin effect, are to be given extra protection.

In spite of the complaints, though, Kyoto remains a massive draw for tourists. Even though the urban blight already visited on the city cannot easily be reversed, neither has it eradicated the city's essential charm.

Perhaps that is because, close-up, unobscured by the brutal modern geometry next door, the exquisite beauty of the ancient sites – of Kyomizu temple, the most visited place in the country, or of the arresting Golden and Silver Pavilions and others – is, truly, inextinguishable.

But perhaps it is really because even the concrete and steel cannot vanquish the spiritual serenity of the place. Whether imbibed in a stroll around the central Pontocho district where tea houses and smart restaurants huddle invitingly over the Kamogawa River; or in an aimless loitering at dusk around the old entertainment quarter of Gion – waiting to catch an elusive glimpse of a silken geisha disappearing down a back street – the ancient appeal of Kyoto lives on.

■ **Pharmaceuticals:** by Michiyo Nakamoto

An attractive venue for market access

The partnership between Japanese and foreign companies has been crucial

Kansai has always been a magnet for leading pharmaceuticals companies from overseas seeking to do business in Japan, the second largest market for pharmaceuticals in the world.

In Osaka, the Japanese capital of western medicine, foreign companies are in comfortable proximity to the domestic industry through which most of them have built up their business in the Japanese market.

The main street of Dosho-machi, in central Osaka, is lined with the offices and shops of numerous Japanese pharmaceuticals companies, a legacy of the early days of western medicine in Japan when Osaka was the commercial hub of the country.

The large concentration of Japanese pharmaceuticals companies in Osaka makes the city a natural home for foreign companies setting up operations. Most foreign companies have chosen to form alliances with a Japanese partner in order to break into what has often been a difficult market for newcomers.

Bayer, the German company, joined hands with Takeda Chemical Industries, one of Japan's leading pharmaceuticals companies, as long ago as 1907. Takeda, which was based in Dosho-machi, obtained sole distribution rights for Bayer's products in Japan. With a history of close ties to the Kansai region and to Takeda, it was natural for the company to look to Takeda and Dosho-machi, when it set up a subsidiary in Japan in 1973.

The subsidiary, Bayer Yakuhin, was established as a joint venture with Takeda and Yoshitomi Pharmaceutical Industries and located in Dosho-machi until space considerations prompted the company to relocate to larger offices near Shin-Osaka Station.

Zeneca, the British-based company, has a similar background to its relationship with the Kansai region. It also set up a joint venture with Sumitomo Chemical in 1974. The relationship with Sumitomo, which is based in Osaka, determined where Zeneca would establish its Japanese subsidiary.

Both foreign companies emphasise that their alliance with a Japanese partner has been crucial in ensuring a smooth entry into the Japanese market. "We have found it very beneficial to be linked to Sumitomo," says Mr Naonori Ishihara, manager of Zeneca K.K Pharmaceutical's general affairs department.

"In this business, the relationship with wholesalers is crucial, so having a reliable partner like Sumitomo has helped," he explains. At the same time, the relationship enabled Zeneca to contract out the manufacture of some products to Sumitomo's factories in Japan.

Mr Kazuyasu Sugitani, public relations manager at Bayer Yakuhin, points out that while the biggest problem for foreign companies in Japan is often distribution, Bayer's relationship with Takeda has shielded it from most of such difficulties. Bayer set up its own distribution centre in the Kansai region six years ago, but until then it distributed its products through Takeda.

While the concentration of pharmaceuticals companies in Osaka has historical roots, there are certain advantages for the companies, both foreign and domestic, in being close to each other.

The proximity makes it easier for companies in the industry to communicate with each other and exchange information. This is increasingly important in the industry where the high costs involved in developing and marketing a new drug have forced companies to co-operate with each other.

"Since it takes 10 to 15 years to develop a new drug and it costs anywhere between Y10bn to Y15bn, many companies are joining hands in co-development and co-marketing arrangements, and being close to each other makes it easier to find partners," points out Mr Sugitani.

Representatives of foreign pharmaceuticals companies in Osaka, from public relations personnel to top executives, meet regularly to exchange information. Contact is kept up with the domestic industry on a regular basis through the Osaka Pharmaceuticals Association to which most members of the industry, both domestic and foreign, belong. "That may be a characteristic of Kansai business – they like to get together and exchange information," Zeneca's Mr Ishihara notes.

Lower land prices in the Kansai region are a definite advantage for companies which are looking to set up their own distribution or manufacturing facilities. For foreign pharmaceuticals companies, the long history of the pharmaceuticals industry in the region has also nurtured a greater understanding of the industry among the local population, Mr Sugitani at Bayer points out.

The local authorities in the Kansai area not only know a lot about the industry but take pride in it and this makes it easier to do business, he notes. The fact that the local people are also well informed about the industry also meant that when Bayer set up its factory in Koka, the locals did not react to the news in an alarmist manner as they might have in other parts of Japan, but were very understanding, Mr Sugitani says.

The concentration of the industry in the region has also helped foreign companies to overcome the problem of attracting Japanese workers since students who are interested in working in this sector gather in the Kansai region.

Throughout its strong expansion in Japan, from 120 employees when it was first established in 1974 to 1,030 this year, Zeneca has never experienced trouble recruiting in Japan, the company says.

But the Kansai region does have some drawbacks.

Tokyo, being the unrivalled centre of Japanese business and government, provides the kind of instant access to policy formers and to first hand information that is not available for those who are a three-hour train ride away. For that reason, many Kansai companies, including Japan's leading pharmaceuticals companies, keep substantial head office operations in Tokyo as well as at their Kansai headquarters.

Zeneca has a regulatory affairs division which deals with the Japanese health authorities in both Osaka and Tokyo. It also has a separate development division in Tokyo where the large number of university hospitals makes it easier to conduct clinical trials. The number of clinical trials conducted in Tokyo outweighs those carried out at Osaka by a ratio of about 6 to 4.

The frequent need to have direct contact with bureaucrats at the Ministry of Health and Welfare, also means there is a need for a Tokyo presence.

The consensus, however, is that what inconveniences do exist are minor and likely to diminish further. The growing decentralisation and deregulation of the Japanese economy, the internationalisation of the Kansai region, particularly with the opening of the Kansai International Airport, and the freer flow of information will continue to reduce any disadvantages in not being located in Tokyo.

Some foreign companies may have relocated from the Kansai region, or had second thoughts about remaining there, following the earthquake that hit the region last year.

But for foreign pharmaceuticals companies the benefits far outweigh the disadvantages.

"Since the Kansai business community has been putting a lot of emphasis on building up the region, the business environment just keeps getting better and there is no reason to move," says Mr Sugitani enthusiastically.

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NATWEST MARKETS

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This autumn, two new agencies will be launched to support Britain's Navy.

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The Director General Naval Bases and Supply provides all Naval Support Command Naval Base and logistic support for the fleet. It will be known as the 'Naval Bases and Supply Agency'.

Both organisations are undergoing business reviews in preparation for their new status and introducing new accounting systems to support the MOD's move to Resource Accounting and Budgeting (RAB). The systems will be provided centrally through the MOD's project CAPITAL, working with the Accounting Systems Integrator and controlled along PRINCE guidelines. Both DG Ships and DGNBS have been identified as being in the first wave of the programme.

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There is a strong desire for a Big 6 qualified ACA with excellent technical knowledge of IAS and a working knowledge of Dutch GAAP (though not essential). Effective communication skills and a proven ability to 'make things happen'. Continued acquisitions also provides ample opportunity for interesting due diligence work. The role will be based at the centre of the group in Amsterdam with the possibility of travel.

For someone with energy and vision this role provides an opportunity to help develop an audit function within a dynamic and well managed multinational environment.

If you are interested in this opportunity, then please forward your CV to Institute for International Research B.V. for the attention of Fiona Ellis, World Trade Center, Tower C, 3rd Floor, Strawynskylaan 335, NL-1077 XX Amsterdam, the Netherlands.

The Private Finance Initiative is revolutionising the construction industry and, as always, AMEC is right at the forefront of events.

Projects awarded under the Initiative demand not just the construction but also the financing, operation and management of major public sector facilities with payments in the form of fees over a number of years through the terms of complex concession agreements. Opportunities in an increasing number of sectors are being pursued, from motorways and roads through to hospitals and, as a result, £billions of investment capital will need to be raised in the coming years.

As befits one of the UK's leading engineering and construction companies, AMEC has responded positively to this new approach to public procurement. We have formed a new company, AMEC Projects Investments Limited, which will oversee our involvement in PFI and other similar projects. Its role will be to evaluate opportunities, and where appropriate raise the necessary capital and manage the financial performance of the projects. As a result, outstanding career opportunities have now been created in the following areas:-

MANAGER, PROJECT FINANCE

Responsible for all the financial aspects of specific projects, you will be involved in working with joint venture partners and external advisers to develop the financial plan, negotiate documentation with lenders and clients and monitor the financial performance of contracts.

You will require sound experience of structuring and closing finance for major projects both in the UK and overseas, a good understanding of the risk of pure cashflow driven, non-recourse projects and strong analytical skills, probably gained with a major bank or financial institution. Extensive travel in the UK and overseas will be involved.

FINANCE ANALYST

Providing a financial modelling service to project teams, you will play a key role in creating and validating packages using the most sophisticated and advanced software.

You will be expected quickly to assimilate project requirements and the application of the principles of PFI in order to provide accurate assessment of risk, and be capable of presenting your findings to colleagues.

Probably a graduate in Mathematics, Economics or Statistics, you will have a background in either banking or accountancy and be familiar with financial modelling using Lotus/Excel or a similar system. You will also require experience of equity, debt and taxation issues. Extensive travel will be involved.

Both of these positions are based in the North West and will offer a highly attractive salary and benefits package, negotiable according to experience. Relocation assistance will also be available. Career prospects with one of the country's largest engineering, construction and development groups are excellent.

If you would like to be involved in this exciting new era for the construction industry, write today with full CV and details of your current salary to:- Stephanie Archer, AMEC p.l.c., Sandiway House, Northwich, Cheshire CW8 2YA.

We are an equal opportunities employer

AMEC Project Investments

A member of the AMEC Group

EPL Technologies (Europe) Ltd.

Financial Controller

The Company: EPL Technologies (Europe) Ltd. is the European arm of an American and Europe. Presently the European division consists of two flexible packaging businesses in the UK. In the near future it is planned to expand the flexible packaging business into other European countries and to start indaganous operations in other related businesses.

The Role: The Financial Controller will report to the European Chief Executive Officer and will be responsible for effectively managing the accounting resources of the organization. In addition, the Financial Controller will be responsible for the business administration of the European companies and will need to ensure that all secretarial responsibilities are met. The successful candidate will have strong financial skills and must be capable of creating financial and business systems in a rapidly expanding business environment.

The Candidate: A qualified accountant with an MBA and at least three years managerial experience is required. It is essential that candidates are literate in the various types of computer systems and information technology required to operate the European subsidiary of an American company. Candidates must be able to demonstrate both a track record obtained within a highly competitive price sensitive industrial market and the ability to communicate with all levels of the organization. Working knowledge of another European language would be an advantage.

The Package: A salary of more than £35,000 per annum, expenses, car, private medical insurance and a contributory pension scheme are available to the ideal candidate. The location is Cheshire.

Interested applicants should write enclosing their full CV and current remuneration package to:

Derrick Lyon, DWL Associates Ltd., Nook House, off Cliff Lane, Acton Bridge, Cheshire CW8 3QP

FACILITIES MANAGEMENT

A Kodak Company

Kodak Facilities Management is a leading outsourcing company in the field of professional office services. Founded 5 years ago, their growth and success has been exceptional. With an expected doubling in turnover over the next 3 years to £50m, they are now looking to recruit a professional

FINANCE MANAGER

Hemel Hempstead **c.£45K + Car + Benefits**

Reporting to the Managing Director, you will be an integral part of the management team, shaping and directing the business over an interesting time in their development.

Managing a team of 16, you will be responsible on a day-to-day basis for all the financial accounting systems and reporting.

Your strategic input will be crucial in ensuring that the systems today will support the ever growing business needs and in interpreting the financial information to advise the management team on key commercial issues.

You must have strong communication skills, as part of your role is to enhance the financial awareness of business managers within KFM.

This is an opportunity to be at the sharp end of a growing business. You will be a qualified accountant with at least 8 years post qualification experience, preferably within a service oriented, fast growing environment. We expect you to be computer literate and to be able to demonstrate well developed man-management skills. Equally important to KFM is your drive to get involved at all levels of the business and to want to add value.

Applicants should apply in writing, quoting ref: LH/KFM/FM and enclosing a full CV which indicates current salary, to Lorraine Horne, Mercuri Urval Limited, Spencer House, 29 Grove Hill Road, Harrow, Middlesex HA1 3BN. Tel: 0181 863 8466. Fax: 0181 861 1978.

Mercuri Urval

INTERNATIONAL AUDIT

Germany *Attractive Package*

Our client is a FTSE 100 global organisation of international renown with turnover in excess of £4 billion. With broad manufacturing interests worldwide, the Group has seen substantial growth throughout continental Europe and is fast expanding within Eastern Europe.

As part of a complete restructuring of its organisation and financial support process within the European headquarters in Germany, they are seeking two International Accountants to work within the new Internal Audit team.

The roles will be varied and will include business reviews, systems development and ad hoc projects as part of this integral, value added team.

Candidates will be newly/recently qualified accountants (ACA/CIMA) aged between 24-32. Willing to accept extensive travel your diplomatic but flexible approach will influence change throughout the Group.

Fluency in German, coupled with drive and ambition will offer successful candidates advancement on a global basis. A competitive salary and benefits package will apply.

WARWICK MCLINTOCK LTD • SERCH AND SELECTION
EBC HOUSE, KEW ROAD, RICHMOND, SURREY TW9 2NA
TELEPHONE: 0181-940 4900 FACSIMILE: 0181-940 6524 OUT OF HOURS: 0181 943 0775

Financial Controller

up to £50,000

+f/x Car/Benefits/ Relocation

Shropshire/ Thames Valley

Our client is a multi-billion dollar US IT Company which provides new ways to apply technology to meet customer requirements. Their customer base includes large corporations, governments and other organisations throughout the world. As a world class organisation they deliver added value to their customers, work in partnership with them, and enhance every aspect of their clients' business.

The Company is continuing to experience significant growth in the UK, thus creating the need to recruit a senior finance professional to take full responsibility for all the financial matters involved in running a £200m plus per annum division.

As well as fulfilling what is "normally expected" from such a senior level appointment, the role includes the following additional requirements:

▲ Pro-active contribution to the Divisional financial performance and profit improvement plans

▲ Direct oversight of financial and commercial issues/exposures arising from a complex contractual environment including responsibility for specific reporting and profit share requirements

▲ Close involvement in the new business and strategic decision making process

▲ Identification and implementation of programmes to improve the financial performance and commercial operation of the Division

▲ A high level of direct senior customer contact

▲ Management of a highly qualified/experienced finance team located across several sites.

Suitable applicants will be qualified accountants, probably aged between 30 and 40, with significant commercial experience gained in a customer focused service industry. Personal qualities should include well developed interpersonal and communication skills combined with strong technical ability and leadership qualities.

Interested candidates should write to Renato Raho MBA, quoting reference number 32259, enclosing a curriculum vitae and details of current salary at:, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS.

MWA MARTIN·WARD ·ANDERSON·
LONDON · WINDSOR

CHINA

A joint-venture company, between a Chinese conglomerate and a European company, engaged in manufacture and distribution of cosmetics and personal care products is seeking a qualified and experienced

FINANCIAL CONTROLLER

to join its pioneering management team.

The Financial Controller will report directly to the General Manager and will be responsible for all financial and management accounting functions, including credit and collection, cashiering, budgeting, taxation matters and EDP. Ability to provide accounting/costing information to the Group Manager for decision making is a must.

Preferred candidates are expected to be:

- over 30 years old
- University graduates in Accounting, with either MBA or CPA qualification
- possessing a minimum of 7 years of commercial accounting experience, 3 years of which at management level with a company, engaged in manufacturing and distribution.
- fluent in spoken and written English, Mandarin would be an advantage
- able to work in a culturally different environment
- able and patient to transmit knowledge to a staff with limited exposure to international standards of accounting
- a hands on manager, a good delegator

Applications in own handwritting stating in full qualifications as well as current and expected remuneration together with a recent photograph should be sent to

Mr. Stanley M. Spitzer, Director
80 Park Street
London W1Y 3HQ

KINGFISHER

Financial Analyst

to £50,000 + excellent package

London

Kingfisher Plc is one of Europe's leading retail groups. With a turnover in excess of £5bn and increasing profits, it incorporates such names as B&Q, Woolworths, Superdrug and Comet, as well as Darty, the leading electrical retailer in France. The company is driven by a common commitment to meet changing customer needs more effectively than its competitors. This goal is being achieved strategically by developing a portfolio of strong retail brands with leading positions in attractive mass markets.

The central finance function supports both the group and operating companies, having significant input into the development of the businesses. Following an early internal promotion there is a need for an additional Financial Analyst. This role enjoys significant exposure to the Executive Directors of both the Plc and the operating companies.

The successful candidate will be a graduate qualified accountant with at least three years post-qualification experience, gained primarily in the retail sector. An additional qualification such as an MBA would be desirable, but not essential. You will need to command the respect of senior management quickly and should therefore be able to demonstrate strong interpersonal and communication skills. Excellent career prospects are available for the right candidate.

Key accountabilities include, but are not limited to:

▲ Review and analysis of operating company performance, identifying key issues.

▲ Monitoring the performance and major activities of key competitors.

▲ Review and analysis of budgets, plans and capital projects.

▲ Undertaking ad-hoc project work on key issues.

▲ Maintaining excellent working relations with operating companies, facilitating the exchange of ideas and identifying areas of cross fertilisation.

Please send a full CV quoting reference No. 31838 to David Graham or Richard Wright at Martin Ward Anderson, 20 Shorts Gardens, Covent Garden, London WC2H 9AU. Alternatively, telephone either of them on 0171 240 2233.

All CV's submitted by third parties to Kingfisher Plc will be forwarded to Martin Ward Anderson.

MWA MARTIN·WARD ·ANDERSON·
LONDON · WINDSOR

CHARTERED ACCOUNTANT AND BUSINESS GRADUATE WITH SUBSTANTIAL INDUSTRIAL EXPERIENCE

requires a permanent Controllership or Operational Audit role based in London or South East England. Particularly interested to hear from organisations with Spanish or Latin-America links.

Write to Box A5683, Financial Times, One Southwark Bridge, London SE1 9HL

Are we thinking alike?

The ultimate global business challenge

General Electric is a diversified technology, manufacturing and services company employing 222,000 people worldwide and generating revenues of more than $70 billion. The thinking behind our business approach is consistent and distinctive. We set ourselves apparently impossible business targets - and then we beat them. Our flexibility means that we can do business successfully in any culture, in any part of the world. We detest bureaucracy and red tape. Wherever we go, whatever we do, we are universally acknowledged as phenomenal performers. Our fierce ambition is tempered by a dual commitment to quality and integrity in everything we do. How about you?

We are looking for exceptional business people who recognise a fast route to the top when they see it. Fast, but challenging. Here's the proposition. You join the GE Audit Staff, which is recognised by our own CEO, Jack Welch, as the proving ground for tomorrow's business leaders. Don't be misled by the "Audit" tag, because you don't necessarily have to be an accountant. Certainly you'll spend some time working with GE companies to ensure their financial integrity and compliance but, more importantly, you will also be driving forward strategic growth initiatives and helping to re-engineer key business processes. At a surprisingly early stage in your career, you will be making a decisive impact on the bottom line of a global corporation.

You will generally tackle three different assignments a year, and we mean different. The companies could be involved in anything from aero engines to light bulbs, or from credit card services to network broadcasting.

They could be based anywhere in the world. And they will be looking to drive change and help them to transform their businesses. While all this is going on, you will also benefit from the most sophisticated business training in the world. Permanently on assignment, travelling 100% of the time, the pressures and the challenges are significant. It's not unusual for auditors to be promoted into business leadership roles at a very early stage in their careers. And neither is it surprising when you look at the quality of the people we take into the team.

Disciplines are varied. What is certain is that you will have a superb academic record and two to five years' business or financial experience that has marked you out as an impressive talent. Your analytical skills and business vision will be matched by your personal credibility and professional stature, to contribute in a team orientated environment, to team based solutions. You will relish the opportunities to work in diverse cultures and business arenas - and should be fluent in at least one other language (Asian or European) besides English.

If you think you have what it takes to be a GE business leader, post or fax your cv to the consultants advising on these appointments, quoting ref: 172, to Alderwick Consulting, 55 Fetter Lane, London EC4A 1BR. Fax: (+44) 171 242 3560. For more information, call them on (+44) 171 242 9191 (weekdays) or (+44) 181 467 1408 (evenings & weekends). Please note: any applications sent directly to GE will be forwarded to Alderwick Consulting Limited.

GE is an equal opportunity employer.

**Not connected with the English company of a similar name.*

USA* GE

International Project Accountant

Ambitious Accountant to make impact across several continents

Based East Midlands £35 - 40k + Car + Bonus

International Public Group with diversified interests requires a highly motivated, qualified Accountant to take a pro-active role in one of its important, fast expanding, strategic business operations. Already selling into the US from the UK and North Africa, it is now considering a site in Mexico.

The Role

- In Mexico liaise with new local executive team to set up accounting systems and procedures in new manufacturing operation.
- Ensure that all statutory and legal requirements are met. Establish working relationships with government authorities and professional advisors.
- In North Africa liaise with local FD's to set up and establish a Financial Accounting centre of excellence to service several manufacturing sites.
- In the UK, report to Division FD and develop relationship with American Business MD providing quality, profitability and pricing information.

The Candidate

- Graduate, qualified Accountant preferably ACA with International experience. Age 30 - 35. Mobile. Working knowledge of second language preferably French or Spanish.
- Technically excellent, computer literate with knowledge of implementing systems. Self motivated, commercially aware with excellent persuasive skills.
- Ability to communicate effectively across all disciplines and adapt into different cultures.
- Decision maker, able to think through problems with a pro-active, "can do" approach in offering solutions.

Please apply in writing, enclosing full CV, quoting reference number LBA/304.

LB LAWRENCE BARNETT ASSOCIATES HUMAN RESOURCE CONSULTANTS

Metropolitan House, City Park Business Village, 20 Brindley Road, Manchester M16 9HQ. Tel: 0161 - 877 4439 Fax: 0161 - 877 6708.

ABB Lummus Global Limited

Financial Controller

Surrey £ Market Rate + Bens

ABB is a $34bn turnover international engineering group and was recently voted Europe's most admired company in a Financial Times survey.

ABB Lummus Global is the umbrella and lead in the UK for oil and gas projects on behalf of ABB. Its UK business holds a leading position in providing fully integrated engineering solutions to some of the most sophisticated companies in the world.

There currently exists a requirement to augment the Senior Management team with the appointment of a Financial Controller. Reporting to the Finance Director, and managing a team of ten, the appointee will be primarily responsible for the financial management of the various operations, treasury planning and management and ad hoc analysis in support of the Finance and Managing Directors. In addition, the successful applicant will be a member of a small team contributing to the development of strategy through a commercial and practical approach.

The opportunity will appeal to commercially orientated qualified Chartered Accountant (aged 35-45) with the ability to manage change in a challenging environment. Applicants should have experience of operating at a senior level in an international multi-project business area, or possibly as a Senior Manager in 'public practice'. In addition the candidate should be a highly effective communicator, with the ability to generate, absorb and apply new ideas within this highly meritocratic organisation.

The remuneration package will reflect the seniority of the position and will include an attractive basic salary, bonus, normal executive benefits and the opportunity to develop a stimulating career within this high profile international group.

Interested applicants should write, in the strictest confidence, to Robert Walker or David Craig at Walker Hamill Executive Selection, forwarding a brief résumé quoting reference RW2546.

WALKER HAMILL

Business Auditors

Birmingham/London Package to Attract the Best

The Company
Cadbury Schweppes is a major global company in beverages and confectionery whose quality brands are enjoyed in over 190 countries around the world. In 1995 sales and trading profits were £4776 million and £600 million respectively, reflecting the momentum of this business. We are committed to growing profitability, volume and brand strength on a global basis.

The Roles
The task of Group Audit is to help improve business performance in the Group's companies right across Europe through a first class team of financial professionals.

The role will be both challenging and diverse encompassing financial and operational audits, as well as special projects to discover problems and provide cost-effective solutions.

The work demands considerable problem solving ability and commercial awareness and will include occasional secondments within the UK or overseas.

The Candidate
Strong communication skills, initiative, ambition and flexibility are important prerequisites. Candidates should also have a strong record of educational achievement. Fluency in another European language, preferably French or Spanish, experience is essential. In return, the company offers an outstanding package including attractive basic salary, company car, bonus and private health insurance.

Career Development
Group Audit acts as a springboard, offering the chance to see many of the Group's companies in operation, and to decide which is most likely to satisfy your longer term career aspirations.

Applications in writing with full c.v. to Tony Gleeson CA quoting ref 1967.

**Greenwell Gleeson Associates
52 St. Paul's Square, Hockley,
Birmingham B3 1QS**

Cadbury Schweppes

[illegible]

Ashford, Kent c. £45,000 plus car and benefits

Brake Bros plc has an annualised group turnover of over £500m and is a leading food supplier to the catering industry. It is continuing to expand in the UK and France both organically and by acquisition.

The Finance Director of the principal trading subsidiary now needs a senior accountant for a technically demanding role managing the Group's central accounting function. Supported by a staff of 25, you will be responsible for controlling the Group's assets and liabilities, consolidated accounts and statutory reporting. There is an opportunity for involvement in tax and treasury and you will be expected to contribute to the financial strategy of the organisation.

Candidates will be qualified accountants with a background in a respected professional firm and a minimum of 3 years' post qualification experience in a group accounting role. This position calls for first class technical skills plus management ability and the personal credibility to undertake a senior role within the business. You will be a good communicator and a team player. Career prospects within this large, successful business are excellent.

Interested candidates should send a comprehensive CV including salary details and daytime telephone number to Vivienne Hines, Deloitte & Touche Consulting Group, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

BRAKE BROS

Deloitte & Touche Consulting Group

Periphonics
Voice Processing Systems Ltd

EUROPEAN FINANCIAL ACCOUNTANT - fluent german speaker
to £30,000 + car + relocation
Camberley

Periphonics Voice Processing Systems Limited is the European headquarters of Periphonics Corporation, the NASDAQ quoted, world leading supplier of interactive voice recognition systems. The Corporation has a world-wide turnover of $100 million with Europe contributing $9 million. European contribution is growing at 30% per annum and consequently the company has a specific requirement for a German speaking, qualified accountant.

The rôle encompasses the production of timely and accurate European financial accounts and the provision of meaningful management reviews of departmental budgets. You will also ensure compliance with various European statutory requirements and be involved in the development of management information systems and the integration of the German accounting system in order to maximise the benefit derived from IT. Although some European travel will be required, the position will be predominantly based at the Camberley office.

The successful candidate will be a qualified accountant fluent in German and able to liaise effectively with all levels of management. Additionally he or she will be energetic, innovative and able to make a valuable contribution in a successful and rapidly evolving company.

Please reply in confidence to our consultant Philip Macdonald quoting reference FT/PAM/6996.

Wade Macdonald Associates, Hedrich House,
14-16 Cross Street, Reading, Berkshire RG1 1SN.

Telephone: 0118 956 0600 Facsimile: 0118 958 3120
E-mail: wma@wademac.co.uk

Wade Macdonald Associates
Financial Recruitment Specialists

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For further information please call:
Robert Hunt on +44 0171 873 4095
or
Toby Finden-Crofts on + 44 0171 873 3539

FINANCIAL CONTROLLER

Surrey/Kent c£40,000 + Benefits

This is an opportunity for an ambitious, qualified accountant to head up the Finance Function of a newly established division of a listed company.

The Division is about to embark on a strategy of rapid expansion both organically and by acquisition. Candidates are likely to be in the age range 30-45, must have excellent computer skills and good commercial awareness.

Previous experience in the catering/distribution industries would be an advantage.

Please apply with full CV and current salary package to:-

Colin Copland, Financial Director,
The Global Group plc, Cranbrook House,
Redlands, Coulsdon, Surrey CR5 2HT

IT City Appointments

IT Appointments

APPOINTMENTS WANTED

FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call:

Emma Lloyd +44 171 873 3779

For Banking, Finance & General Appointments please turn to pages 10-16

or contact:
Robert Hunt +44 171 873 4153
Toby Finden-Crofts +44 171 873 3456
Andrew Skarzynski +44 171 873 4054

Recruitment Net.Works The FT IT Recruitment section is also available all week on www.FT.com

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

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BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

مكتفا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22¼xd	—	£24¾	£22½	1,583	3.5	Φ
Barlow	♣†	£5¾	—	£10⅝	£5⅝	1,155	2.3	–
Gold Flds Prop R		137xd	—	170	130	14.0	6.3	10.7
MK Props		80	—	86	75	3.22	11.4	–
SASOL	♥	645	—	718	475	3,777	1.7	–
SA Brews		£16½	—	£20⅝	£16¼	4,059	2.2	Φ
Standard Bank		£25⅝	+⅝	£32¾	£21⅞	3,051	1.5	21.8
Tiger Oats	†	790	—	1270	770	1,188	2.1	18.2
Tongaat-Hulett		709xd	—	1247	736	747.8	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a
FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie marches ahead to new record close

By Steve Thompson, UK Stock Market Editor

Not even some mildly disappointing inflation numbers for last month could put a dent in a UK equity market that staged a determined but ultimately unsuccessful attack on its all-time intra-day high.

Nevertheless, the FT-SE 100 index still managed to penetrate its previous record closing high, finishing a pulsating session a net 27.0 ahead at 3,932.6, only a point off its intra-day record, reached only three days ago.

Apart from the domestic inflation figures, and a sprinkling of individual underperformers across the market, it was a good day for share prices.

Wall Street gave another strong performance overnight, and made further rapid progress at the outset of trading yesterday afternoon, threatening to burst through the 5,800 level again and looking set to challenge its previous all-time closing high of 5,778.

It was a very big day for corporate news, with no less than seven Footsie companies reporting and all of them delivering well-received figures. Some of them, such as British Aerospace and Legal & General, saw their share prices notch up all-time record closes. BTR rose sharply after the continuing restructuring of its businesses. On the downside, ICI suffered from a broker downgrade while TLG, formerly Thorn Lighting, fell heavily after a profits warning.

Dealers said the interim reporting season overall has generally come out better than many strategists had expected and that subsequent expected earnings updates would prove sufficient to drive Footsie through the 4,000 level, possibly in the short term.

But one dealer said a move beyond 4,000 would almost certainly attract profit-taking.

London began the session on a firm note and never looked back, with the big institutions said by traders to have been pushing money into the market.

The August inflation details, provided only momentary unease for the market, while the day's economic news from the US, including producer price numbers and the usual weekly jobless figures, caused few problems to Wall Street. US jobless claims were higher on the week while producer prices rose a marginally higher than expected 0.3 per cent on the month.

Today brings news of US retail inflation during August, expected to show only a modest 0.2 per cent rise. The Federal Open Market Committee meets on September 24 to discuss US monetary policy and some UK observers expect the Fed to lift rates by at least 25 basis points and possibly 50. "There is a feeling that Wall Street would be comfortable with 50 basis points on rates," said one dealer.

As always when the London market is on the upward path, there were plenty of takeover hints doing the rounds, notably in the banking and insurance sectors and especially the latter.

Turnover at 6pm was 691m shares. Customer business on Wednesday was worth £1.57bn.

FT-SE-A All-Share Index

Equity shares traded

Indices and ratios

FT-SE 100	3932.6	+27.0	FT Ordinary Index	2833.3	+17.3
FT-SE Mid 250	4432.3	+14.0	FT-SE-A Non Fins p/e	17.90	17.07
FT-SE-A 350	1965.4	+11.9	FT-SE100 Fut Sep	3935.0	+20.5
FT-SE-A All-Share	1941.90	+11.08	10 yr Gilt yield	7.87	7.87
FT-SE-A All-Share yield	3.78	3.82	Long gilt/equity yld ratio	2.17	2.15

Best performing sectors

1 Extractive Inds .... +2.7
2 Building Mats .... +1.7
3 Diversified Inds .... +1.4
4 Engineering .... +1.2
5 Transport .... +1.0

Worst performing sectors

1 Oil Exploration .... −0.7
2 Textiles & Apparel .... −0.5
3 Other Financial .... −0.3
4 Paper: Pckg & Print .... −0.1
5 Property .... −0.1

BZW cut knocks ICI

Chemicals leader ICI slipped back sharply in afternoon dealing as BZW, one of ICI's own brokers, turned cautious on the company.

Mr Andrew Benson, chemicals analyst for BZW, declined to comment on the move but a spokesman for ICI said: "I gather that is the case."

BZW is said to have lowered its recommendation from "buy" to "hold" and reduced its current year profit forecast by £50m to £530m.

More radically, it is thought to have cut its current year dividend forecast to 32p and next year's to 33.5p; much of the stock's attraction lies in its yield support.

Both the profit forecast and dividend estimates are believed to be below the current range of brokers' estimates. One analyst said the current forecast range was £670m to £720m and the dividend consensus was 32.5p.

Dealers said BZW was concerned about the rising price of oil, which could add £40m to £50m to the company's costs, and also by the strength of sterling against the D-Mark. It is also concerned about the potential for weakening commodity prices.

ICI shares tumbled 20 as the news of the downgrades leaked into the market but steadied later to close 5 down at 840½p.

Surging oil prices set a positive background for shares in Shell Transport, but they were offset by a disappointing interim dividend. Shell's payout of 14.4p was at the low end of the range of forecasts and caused the shares to turn back from earlier highs.

However, Mr John Toalster of SGST described the move as "sensible dividend progression". And with the price of Brent crude at its highest level since the Gulf crisis six years ago, there was strong fundamental support. The shares ended the day 2 up at 968½p.

Lasmo failed to respond to an earlier positive appraisal of its Algerian drilling operations. The shares were hampered by a large line of stock washing around the market and accordingly dropped 3½ to 210½p.

BAe pleases

A sparkling set of interim figures from engineering and defence group British Aerospace made it one of the star performers of the session, driving the stock to an all-time high.

By the close, shares in the UK giant had gained more than 3 per cent, after jumping 37 to 1049½p. Volume was 2.7m.

Analysts were cheered by the figures and moved to upgrade full year profit expectations from around £400m to about £430m for the most optimistic. Forecasts for the following year were also raised and are now in the region of £520m against previous estimates of £500m.

Mr Bob Bucknall at Mees-Pierson said: "We are now able to judge British Aerospace as a normal company after many years of restructuring. Good news flow should benefit the stock, civil orders are increasing and the strength of the oil price makes the Al Yamamah contract (paid for in oil) more comfortable."

The positive news from British Aerospace helped boost the sector as a whole, with Rolls-Royce up 6¼ at 235p.

H P Bulmer bounced 15 to 567½p while Matthew Clark fell a further 12 to 343½p after Bulmer said at its annual meeting that summer sales of its premium products had "shown resilience" in the face of intense competition from the new "alcopops" soft drinks.

Greene King, which is to join the FT-SE 250 (as Bulmer drops out) advanced 4¼ to 645½p.

Among transport stocks, there was keen demand for channel tunnel operator Eurotunnel on speculation that the company is about to announce a debt swap deal with its creditors.

The shares gained 11 to 112½p, with the stock heavily traded in Paris where it is also listed.

Talk that a property revaluation may be on the cards at Railtrack attracted investors to the stock. The partly-paid shares jumped 13¼ to 283½p to make it one of the best performing stocks in the Footsie, in brisk trading of 15m.

Graham Group, the UK's second largest builders' merchant, fell 9 to 125p after an agency cross of 7.5m shares, representing about 5 per cent of the company's equity, at 115p a shareby UBS. The company said that it was an ordinary transaction.

Caradon, the building materials group, advanced 28¾ to 249½p after better than expected interim results and comments about a more positive outlook for the second half of the year. Panmure Gordon was reported to have raised its 1996 profit forecast from £173m to £180m.

Wolseley, the builders merchant, topped the FT-SE 100 performance table, as the market focused on its exposure to US markets and a recovering UK housing sector.

Encouraging figures from Legal & General, particularly a 14 per cent hike in the dividend, saw the shares gain 15½ to 744p.

Royal Bank of Scotland was restrained after NatWest Securities took the scalpel to its forecasts.

The banking team was not available for comment but rival analysts said NatWest lowered its current year forecast by £35m to £665m and next year's by £43m to £707m. The shares closed a penny up at 488p.

RTZ, the world's biggest mining company, recovered from early weakness to close 30½ higher at 961p in the registered shares, as hopes for a recovery in metal prices outweighed a slightly disappointing profits statement.

Conglomerate BTR pleased the market with the publication of detailed restructuring plans as it revealed interim figures. The shares gained 8 to 274p, in a session that brought heavy turnover of 28m.

As expected, the group cut the dividend but analysts said they thought the restructuring would go a long way to reviving the group's fortunes.

BTR also announced the sale of its Hawker Siddeley Electric Power Group to engineering group FKI for £182.5m. Shares in the latter rose 11 to 205p as the market showed its appreciation of the deal.

One analyst said: "This is a superb deal for FKI, which not only gives it UK exposure in an industry they know well, but it will also enhance earnings per share."

Analysts were fairly satisfied by interim results from United Biscuits, which advanced 10 to 212½p, although some shaved the full year forecasts.

FINANCIAL TIMES EQUITY INDICES

	Sep 12	Sep 11	Sep 10	Sep 9	Sep 6	Yr ago	*High	*Low
Ordinary Share	2833.3	2816.0	2831.2	2824.7	2811.2	2651.9	2885.2	2668.8
Ord. div. yield	4.02	4.04	4.02	4.03	4.05	4.05	4.22	3.78
P/E ratio net	17.15	17.07	17.15	17.11	17.03	15.90	17.25	15.80
P/E ratio nil	16.99	16.91	16.99	16.95	16.87	15.75	17.09	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2823.2	2818.9	2822.2	2826.9	2827.6	2826.4	2823.8	2828.5	2830.3	2833.4	2818.8

	Sep 12	Sep 11	Sep 10	Sep 9	Sep 6	Yr ago
SEAQ bargains	35,946	35,030	38,962	35,259	33,989	24,979
Equity turnover (£m)†	–	1571.0	2008.4	1561.4	1555.8	1577.5
Equity bargains†	–	36,253	40,492	37,240	35,054	36,378
Shares traded (ml)†	–	551.2	781.6	686.8	597.7	646.4

†Excluding intra-market business and overseas turnover.

	Sep 12	Sep 11	Sep 10	Sep 9	Sep 6	Yr ago	*High	*Low
FT-SE AIM	1040.30	1040.10	1049.20	1060.40	1065.70	–	1140.40	985.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	557	Total Highs	97	Total contracts	31,984
Total Falls	513	Total Lows	35	Calls	15,459
Same	1,593			Puts	16,525

Sep 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3920.0	3935.0	+25.5	3944.0	3911.0	13799	39847
Dec	3944.0	3959.0	+26.0	3966.0	3938.0	6623	24069
Mar		3969.0	+25.5			0	380

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4431.0	+11.0			0	1379

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
§100	F.P.	–	100	100	Amer Opps Ln 03/0
–	F.P.	12.4	68	64½	†Barbican Hlthcre
–	F.P.	201.8	196	182½	Dairy Crest Grp
–	F.P.	5.17	4	4	†Dentmaster
§145	F.P.	50.7	246	148	†Elec Retail Sys
§	F.P.	2.39	53	41	†Fayrewood
16	F.P.	7.18	23	17	†Gabriel Trust
§100	F.P.	95.3	109½	107½	†Gartland Whalley
§12.5	F.P.	1.54	13¼	13¼	†Grosvenor Land

FT-SE Actuaries All-Share

	Sep 12	Day's chge%	Sep 11	Sep 10	Sep 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3752.61	+0.5	3735.73	3712.48	3701.85	3020.36	3.64	1.67	20.62	93.81	1623.48
12 Extractive Industries(6)	4218.36	+2.7	4108.50	4212.94	4233.02	4176.57	3.84	2.74	11.87	109.19	1241.33
15 Oil, Integrated(3)	3858.38	+0.2	3850.39	3806.62	3791.32	3008.18	3.79	1.48	22.28	100.98	1713.93
16 Oil Exploration & Prod(15)	2765.54	−0.7	2784.67	2784.60	2752.71	2084.01	1.90	1.68	39.21	34.94	1665.64
20 GEN INDUSTRIALS(274)	2088.34	+0.9	2069.42	2078.53	2070.82	2001.64	4.04	1.83	16.95	61.76	1155.25
21 Building & Construction(34)	1184.90	+0.6	1178.17	1176.76	1172.56	941.68	3.60	1.56	22.94	24.97	997.46
22 Building Matls & Merchs(29)	1982.55	+1.7	1948.85	1956.95	1932.66	1765.75	3.87	1.68	19.25	51.86	1010.98
23 Chemicals(25)	2482.33	——	2482.77	2490.82	2462.32	2500.66	4.08	1.60	19.21	79.29	1193.31
24 Diversified Industrials(18)	1586.68	+1.4	1564.13	1575.66	1582.06	1619.85	6.35	1.70	11.58	72.73	905.28
25 Electronic & Elect Equip(36)	2403.00	+0.6	2388.40	2398.46	2378.28	2153.53	3.25	1.48	26.04	57.55	1263.77
26 Engineering(71)	2567.21	+1.2	2535.84	2558.09	2551.33	2166.83	3.16	2.47	16.03	57.54	1573.51
27 Engineering, Vehicles(14)	3130.77	+0.5	3114.93	3110.12	3101.42	2595.81	2.21	2.66	21.31	95.87	1648.82
28 Paper, Pckg & Printing(26)	2692.32	−0.1	2695.21	2710.01	2698.37	2950.31	3.84	1.82	17.88	66.67	1132.06
29 Textiles & Apparel(19)	1250.55	−0.5	1256.57	1249.98	1247.47	1616.71	5.67	1.31	16.88	44.14	773.18
30 CONSUMER GOODS(91)	3686.43	+0.6	3665.37	3686.70	3700.04	3371.35	3.83	1.95	16.69	115.81	1382.49
32 Alcoholic Beverages(8)	2828.79	+0.6	2812.67	2868.41	2894.83	2972.12	4.46	1.62	17.31	91.68	1034.30
33 Food Producers(24)	2597.81	+0.9	2573.39	2584.54	2574.41	2519.69	4.03	1.92	16.16	70.59	1185.01
34 Household Goods(15)	2689.49	+0.4	2679.83	2683.27	2686.20	2650.45	3.78	2.25	14.69	60.32	1033.62
36 Health Care(20)	2053.40	+0.1	2052.23	2055.03	2049.87	1945.16	2.67	2.19	21.34	37.40	1255.88
37 Pharmaceuticals(13)	5574.73	+0.6	5542.23	5558.58	5590.49	4374.48	3.03	2.06	20.02	151.62	1919.30
38 Tobacco(1)	3680.60	——	3680.60	3699.07	3697.54	4451.45	7.12	2.08	8.54	262.07	947.82
40 SERVICES(252)	2593.52	+0.5	2580.35	2593.46	2599.72	2215.09	2.84	1.95	22.56	63.75	1364.05
41 Distributors(31)	2887.97	+0.8	2865.58	2886.87	2875.35	2793.11	3.04	1.75	23.45	59.94	1073.97
42 Leisure & Hotels(24)	3187.24	+0.1	3184.78	3217.93	3212.29	2509.27	2.75	2.01	22.54	156.18	1724.20
43 Media(45)	4396.46	+0.5	4373.97	4380.96	4388.03	3348.27	2.07	2.06	29.44	84.94	1606.65
44 Retailers, Food(14)	2000.65	+0.4	1993.20	2013.24	1995.88	2223.18	3.83	2.36	13.88	55.67	1288.31
45 Retailers, General(44)	2182.60	+0.6	2169.47	2178.07	2178.35	1829.01	2.94	2.08	20.66	52.63	1262.38
47 Breweries, Pubs & Rest.(23)	3121.20	+0.5	3107.16	3122.70	3129.92	2609.35	3.27	1.98	19.31	67.36	1513.01
48 Support Services(49)	2509.04	+0.2	2504.93	2506.93	2502.28	1872.37	1.92	2.31	28.28	36.88	1604.26
49 Transport(22)	2470.25	+1.0	2446.44	2474.89	2454.64	2268.31	3.83	1.07	30.44	67.35	1043.42
60 UTILITIES(32)	2317.59	+0.5	2306.96	2318.18	2320.95	2610.89	5.54	1.80	12.64	158.45	1031.92

• Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 12 / Sch)

BELGIUM/LUXEMBOURG (Sep 12 / Frs.)

CZECH REP (Sep 12 / Korun)

DENMARK (Sep 12 / Kr)

FINLAND (Sep 12 / Mka)

FRANCE (Sep 12 / Frs.)

GERMANY (Sep 12 / Dm.)

GREECE (Sep 12 / Drachma)

ITALY (Sep 12 / Lira)

NETHERLANDS (Sep 12 / Fls.)

NORWAY (Sep 12 / Kroner)

POLAND (Sep 12 / Zloty)

PORTUGAL (Sep 12 / Escudo)

SPAIN (Sep 12 / Pta.)

SWEDEN (Sep 12 / Kronor)

SWITZERLAND (Sep 12 / Frs.)

TURKEY (Sep 12 / Tk Lira)

PACIFIC

JAPAN (Sep 12 / Yen)

HONG KONG (Sep 12 / H.K.$)

INDONESIA (Sep 12 / Rupiah)

MALAYSIA (Sep 12 / MYR)

NEW ZEALAND (Sep 12 / NZ $)

SINGAPORE (Sep 12 / S$)

AUSTRALIA (Sep 12 / Aust$)

SOUTH KOREA (Sep 12 / Won)

TAIWAN (Sep 12 / TW $)

THAILAND (Sep 12 / Baht)

NORTH AMERICA

CANADA

TORONTO (Sep 12 / Can $) 4 pm close

MONTREAL (Sep 12 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Sep 12 / Rand)

INDICES

	Sep 12	Sep 11	Sep 10	1996 High	1996 Low
Argentina					
General(29/12/77)	(u)	18453.81	16480.73	18881.85 20/5	15287.25 22/8
Australia					
All Ordinaries(1/1/80)	2236.8	2248.3	2255.8	2328.00 26/4	2086.10 17/7
All Mining(1/1/80)	958.4	967.4	979.2	1118.40 8/5	934.90 16/7
Austria					
Credit Aktien(30/12/84)	349.66	353.11	353.63	384.99 31/5	349.19 8/8
Traded Index(2/1/91)	1013.84	1033.67	1036.02	1142.51 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1753.29	1753.31	1755.62	1773.26 28/5	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(u)	63581.0	64158.0	66622.00 12/7	43901.00 2/1
Canada					
Metals Mnls♦(1975)	(c)	5168.57	5180.91	5634.60 8/5	4687.47 16/1
Composite♦(1975)	(c)	5160.40	5147.10	5248.40 31/5	4739.70 15/1
Portfolio§§(4/1/83)	(c)	2512.44	2502.47	2565.55 27/5	2327.38 12/1
Chile					
IGPA Gen♥(31/12/80)	(u)	(c)	5343.81	5804.33 8/1	5215.28 8/4
Denmark					
CopenhagenSE(3/1/83)	427.43	426.83	427.73	427.73 10/9	368.46 2/1
Finland					
HEX General(28/12/90)	2119.88	2102.17	2122.97	2147.08 29/8	1661.87 10/1
France					
SBF 250(31/12/90)	1404.06	1390.64	1392.31	1487.58 6/6	1260.16 2/1
CAC 40(31/12/87)	2065.37	2038.06	2042.12	2146.79 30/4	1887.86 11/1
Germany					
FAZ Aktien(31/12/58)	902.84	900.47	900.38	911.74 5/7	818.56 2/1
Commerzbank(1/12/53)	2631.10	2623.80	2623.90	2631.10 12/9	2370.10 2/1
DAX‡(30/12/87)	2570.32	2566.80	2570.95	2583.49 5/7	2284.86 2/1
Greece					
Athens SE(31/12/80)	944.51	938.60	931.13	1017.98 4/3	872.89 7/8
Hong Kong					
Hang Seng(31/7/64)	11251.72	11236.36	11223.62	11594.99 16/2	10204.87 2/1
India					
BSE Sens.(1979)	3391.54	3382.71	3434.83	4069.26 18/6	2826.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	546.46	542.72	545.10	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2563.68	2589.75	2580.47	2595.19 18/6	2234.81 2/1
Italy					
Banca Comm Ital(1972)	592.41	590.70	595.73	674.10 20/5	572.21 27/3
MIB General(2/1/96)	1004.0	1001.0	1009.0	1142.80 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	20443.93	20571.64	20559.58	22666.80 28/6	19734.70 13/3
Nikkei 300(1/10/82)	289.54	290.49	290.58	318.70 26/6	284.45 11/3
Topix(4/1/68)	1554.34	1559.15	1560.23	1722.13 26/6	1524.12 13/3
2nd Section(4/1/68)	2091.83	2100.35	2105.14	2251.48 2/7	1982.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1113.50	1109.04	1111.75	1189.64 30/4	983.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3302.98	3309.27	3433.75 27/8	2736.36 8/3
Netherland					
CBS TtlRtnGen(End 83)	649.4	645.9	645.1	652.80 12/6	539.50 2/1
CBS All Shr(End 83)	383.7	381.7	381.3	387.10 12/6	328.70 2/1
New Zealand					
Cap. 40(1/7/86)	2212.22	2235.25	2243.82	2243.82 10/9	2025.14 7/5
Norway					
Oslo SE(Ind)(2/1/83)	1393.37	1389.59	1398.37	1408.71 12/6	1258.66 30/1
Philippines					
Manila Comp(2/1/85)	3194.56	3186.19	3201.80	3374.40 3/7	2578.87 2/1
Portugal					
BVL 30(4/1/93)	1994.37	1999.00	2009.78	2009.78 10/9	1602.81 2/1
Singapore					
SES All-S'pore(2/4/75)	527.50	523.57	527.15	618.37 5/2	522.15 30/7
South Africa					
JSE Gold(28/9/78)	1743.0♥	1747.2	1721.2	2039.40 29/5	1348.40 2/1
JSE Ind.(28/9/78)	8040.7♥	7991.9	8025.9	8739.30 25/1	7835.68 30/8
South Korea					
KoreaCompEx"(4/1/80)	797.61	801.45	803.04	986.84 7/5	753.35 28/8
Spain					
Madrid SE(30/12/85)	354.16	351.95	352.14	376.25 1/7	323.75 11/1
Sweden					
AffarsvardsGen(1/2/37)	2057.1	2042.5	2039.9	2057.10 12/9	1708.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1765.30	1757.91	1763.18	1811.86 11/7	1516.19 17/1
SBC General(1/4/87)	1242.54	1239.73	1245.54	1284.66 11/7	1114.47 26/1
Taiwan					
WeightedPr."(30/6/66)	6425.68	6455.44	6415.76	6680.41 29/8	4690.22 8/2
Thailand					
Bangkok SET(30/4/75)	1026.21	986.16	982.03	1416.04 6/2	982.03 10/9
Turkey					
Istanbul Cmp.(Jan 1986)	85138.9	84618.6	83642.4	72881.38 9/7	38779.38 2/1
WORLD					
MS Capital Intl(1/1/70)	786.1*	784.2	784.4	783.29 1/7	725.98 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1676.88	1685.66	1688.48	1788.78 4/7	1594.40 11/1
Euro Top-100(26/6/90)	1435.57	1426.05	1429.08	1469.28 26/4	1333.01 11/1
HSBC JC Drgn(31/12/88)	(u)	371.95	371.30	383.18 18/4	344.79 2/1
♦ING Brngs Emrg(7/1/92)	(u)	159.02	158.95	166.81 4/7	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Sep	2047.0	2045.0	-	2074.0	2048.0	18,532	27,842
Oct	2052.0	2050.0	-	2075.5	2052.0	224	5,574
DAX							
Sep	2567.0	2591.5	+22.0	2593.0	2567.0	20,156	83,797
Dec	2584.5	2609.0	+23.0	2611.0	2584.5	5,292	-
OMX							
Sep	1589.75	1590.25	+8.25	1601.00	1587.00	6,205	21,884
Oct	1595.50	1597.25	+12.00	1606.25	1594.00	606	2,872
SOFFEX							
Sep	3680.0	3698.0	+23.2	3698.5	3673.0	5,489	25,987
Oct	3683.0	3703.5	-5.0	3683.0	3683.0	536	1,557

" Sat Sep 7. Taiwan Weighted Price 6371.97; Korea Comp Ex 809.5. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold = 255.7, JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index. Sep 12 - 2589.04 +18.34

US INDICES

Dow Jones	Sep 11	Sep 10	Sep 9	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5754.92	5727.18	5733.84	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.47	101.38	101.41	106.09 (14/2)	100.98 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2035.36	2035.08	2031.08	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	215.69	214.64	215.27	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 5777.49 (5767.87) Low 5696.85 (5681.69) (Theoretical♦)
Day's high 5767.50 (5741.61) Low 5713.86 (5709.42) (Actual♦)

Standard and Poors	Sep 11	Sep 10	Sep 9	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	667.28	663.81	663.76	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	788.76	785.09	784.77	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (30/6/32)
Financial	69.98	69.37	69.51	70.68 (22/8)	58.67 (10/1)	70.68 (22/8/96)	7.13 (4/9/74)
NYSE Comp.	358.00	356.49	356.28	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.64 (25/4/42)
Amex Mkt Val	566.06	565.23	561.96	614.99 (22/5)	525.60 (18/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1153.95	1149.43	1148.71	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

RATIOS

	Sep 6	Aug 30	Aug 23	Year ago
Dow Jones Ind. Div. Yield	2.24	2.25	2.21	2.44
	Sep 4	Aug 28	Aug 21	Year ago
S & P Ind. Div. yield	2.06	2.02	2.02	2.07
S & P Ind. P/E ratio	21.50	21.77	21.74	18.68

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Motorola	10,356,000	49	-1⅛
PepsiCo	7,196,800	29¾	+⅜
Micron	4,889,200	21⅛	+½
ITT	4,588,600	46⅞	-1⅛
Ford Mtr	4,356,600	31⅝	-¼
RJ Nabisco	4,005,100	28⅝	-⅛
MEMC Elec	3,804,200	20⅛	-8½
AT&T	3,695,300	55	+1⅜
USX Mrthn	2,811,300	22	+⅜
Dig Equip	2,884,500	41	+½

TRADING ACTIVITY

● Volume (million)

	Sep 11	Sep 10	Sep 9
New York SE	375.199	371.670	310.886
Amex	17.949	19.141	15.207
NASDAQ	498.538	481.653	448.593
NYSE			
Issues Traded	3,195	3,191	3,203
Rises	1,243	1,154	1,540
Falls	1,021	1,142	860
Unchanged	931	895	803
New Highs	111	108	105
New Lows	35	16	17

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Sep	668.80	669.95	+2.95	670.50	669.10	92,463	119,951
Dec	676.00	675.80	+2.80	676.40	675.45	25,393	89,267

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Sep	20500.0	20580.0	-	20580.0	20400.0	8,849	185,572
Dec	20500.0	20800.0	+10.0	20800.0	20410.0	20,461	179,959

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, September 12, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon F & M Ins	6.8m	643	-10
Nippon Steel Co	5.6m	343	-
Mitsui Matsushima	5.5m	505	-14
Tanabe Seiyaku	5.1m	817	-1
Chiba Bank	4.4m	843	+3
TYK Corp	4.3m	1460	-10
NKK Corp	3.8m	278	-4
Toshiba Corp	3.8m	609	-7
Furukawa Elect	3.8m	610	-9
Mitsubishi Hvy	3.3m	868	-

4 pm close September 12

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
23⅝	17¼	AAR	0.48	2.2	21	181	21⅞	21⅛	21⅞	+⅛
48⅛	36⅛	AMP	1.00	2.6	18	3481	38¾	38	38	-⅛
97½	68	AMR			15	4385	79½	78¾	79⅛	+½
80½	37⅞	ASA	2.00	5.0	26	148	39⅝	39¼	39⅝	-⅛
47¼	36⅛	AbbtL	0.96	2.0	20	7307	47½	46⅞	47¼	+⅜
17¼	12¼	Abitibi Pr x	0.40	2.9	7	1113	13⅝	13½	13⅝	+⅛
20¾	13½	ABM Ind	0.35	2.0	16	51	17¼	17⅝	17⅝	-⅛
18⅝	13⅞	Acptnceln			36	41	17⅞	17½	17½	-¼
50⅞	37¼	ACE Ltd	0.56	1.2	11	483	47	46⅞	47	+⅛
10⅛	9¼	ACM Gvt In x	0.90	9.1	8	290	10	9¾	9⅞	
7⅞	6⅝	ACM GvOpp x	0.57	8.4		22	6⅞	6¾	6¾	
9⅞	8⅞	ACM Man x	0.80	8.5		208	9½	9⅜	9½	+⅛
13⅞	6⅛	Acme Elect	0.32	4.6	116	86	7⅛	7	7	
17½	13⅞	Acme Mls			9	191	15¼	14⅞	15	
33¾	27¾	Acordia	0.72	2.3	18	21	30⅞	30½	30⅞	+½
21⅞	12	Acuson			62	2904	16⅝	16¼	16½	-¼
19½	17⅞	Adams Expr	0.48	2.5	0	425	19¼	19⅛	19¼	
21¼	10¼	AdvMic			8	3332	13⅛	12⅞	13	
11⅛	8½	Advest Grp	0.16	1.6	7	12	10	9⅞	9⅞	-⅛
26⅛	9⅛	Advo Inc	0.10	1.0	500	147	10⅛	10	10	-¼
51⅞	41⅛	Aegon x	1.46	3.0	15	21	49⅝	49⅜	49⅜	
6¾	3½	Aerflx			3	84	5⅛	5⅛	5⅛	
89½	57⅞	Aetna	0.80	1.2	7	5698	69⅛	68	68⅞	+⅞
36½	29¼	Aflac	0.40	1.1	15	1319	35½	34¾	35⅛	+½
21⅛	17⅛	AGL Res	1.08	5.4	16	203	20	19⅝	19¾	+⅛
28	21¼	Ahmson	0.88	3.4	7	1193	26¼	26⅛	26¼	+⅛
60⅞	50⅛	AirPrC	1.10	1.9	15	1814	57½	56¼	57⅜	+1¼
28⅝	20¾	Airbrne Fst	0.30	1.3	15	398	23¾	23½	23½	-⅛
23¾	15½	Airgas Inc			38	1000	u23¾	23½	23¾	+⅜
16⅞	13¼	Airlease	1.80	12.2	9	5	14¾	14⅝	14¾	-⅛
33⅝	25	AirTch			61	17434	28½	28	28⅜	+½
40⅞	15¾	BGM			6	747	18½	17¼	17⅞	+½
22¾	19½	Bd Tr 1838	1.56	7.9		38	19⅝	d19½	19⅝	+⅛
8½	7¾	BEA IncFd x	0.72	8.5		198	u8½	8⅜	8½	+⅛
9⅞	8½	Bea Strat	0.81	8.8		53	9¼	9⅛	9¼	+⅛
24⅞	17¼	Bear Strns	0.60	2.7	6	10358	22⅝	22¼	22½	-⅛
44⅞	41	BearSPIA	2.85	6.4		z100	44⅝	44⅝	44⅝	
33¾	24	Bearings	0.55	1.9	15	47	28⅞	28½	28⅞	+¼

Continued on next page

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4 pm close September 12

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47⅞	30¾	Xtra Corp	0.72	1.7	16	36	43¼	42⅞	43¼	+¼
25¾	20⅞	Yankee Egy x	1.30	6.0	11	86	21⅝	21¼	21⅝	+¼
53¾	43⅞	York Int	0.36	0.8	22	779	48⅛	47⅝	47⅞	+⅛
3⅞	3	Zapata	0.14	3.9	10	209	3⅝	3⅝	3⅝	
25¾	5⅞	ZenithEl			9	3972	14¾	14¼	14¼	
28⅞	21⅛	Zenith Nat	1.00	3.7	36	49	27⅛	27	27⅛	
7⅛	6½	Zenix Inc	0.72	10.1		20	u7⅛	7	7⅛	
22⅞	15⅛	Zero	0.12	0.6	16	27	19⅝	19¼	19¼	-⅜
23¾	18½	Zurn Ind	0.40	1.8	18	68	21⅞	21⅝	21¾	
11⅝	10½	Zweig Fund	1.06	9.9		63	11	10⅞	10⅞	-⅛
9	8¼	Zweig Tot x	0.84	10.0		258	8½	8⅜	8⅜	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

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AMEX PRICES

4 pm close September 12

NASDAQ NATIONAL MARKET

4 pm close September 12

AMERICA

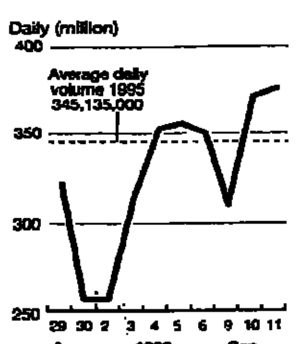
Firm bonds drive Dow to peak level

Wall Street

More data showing that inflationary pressures remained in check, and a decline in bond yields, put the Dow Jones Industrial Average on course by early yesterday afternoon to set a new closing high, *writes Lisa Bransten in New York.*

By 1pm, the Dow was 32.55 stronger at 5,787.47, surpassing the previous record close of 5,778 set on May 22. The Standard & Poor's 500 rose 4.59 at 671.87 and the American Stock Exchange composite added 1.52 at 567.58. NYSE volume on the New York Stock Exchange came to 239m.

NYSE volume



Technology shares were also sharply higher with the Nasdaq composite gaining 8.07 at 1,162.02 and the Pacific Stock Exchange technology index 0.5 per cent stronger.

Shares derived some support from the bond market, which began to rise soon after the Labor department said that the core producer price index – which excludes the volatile food and energy components – fell 0.1 per cent in August. The data, however, did little to shake the emerging consensus that the Federal Reserve was likely to raise interest rates by a quarter of a percentage point at the September 24 meeting of its Open Market Committee. Rising shares in the Dow included Disney, up $1¼ at $60⅝, Procter & Gamble, $1¼ stronger at $91⅞ and General Electric, which added $1 at $87⅜.

Duracell International, the alkaline battery company, jumped $9⅞ or 20 per cent to $58⅝ on news that Gillette had agreed to buy the company in a deal valued at more than $7bn. Shares in Gillette rose $⅞ at $65⅝.

The valuation that Gillette placed on Duracell led to a rise in the share price of Ralston Purina, which owns rival battery maker, Energizer. Ralston Purina added $2¼ or 4 per cent at $66⅛.

Xerox lost $2⅝ or 4 per cent at $55⅞ after announcing that it would not complete the sale of its Talegen Holdings insurance business to the buyout firm, Kohlberg Kravis Roberts, in a deal initially valued at about $2.4bn.

Heartstream, a maker of medical devices, added $2⅝ or 23 per cent at $13⅞ on news that the Food and Drug Administration had given it clearance to market its Forerunner defibrillator.

Canada

Toronto was higher in moderate trading with real estate and bank shares moving ahead on a broad front to offset some dullness among resource stocks. At noon, the composite index was 19.11 higher at 3,494.24.

Royal Bank of Canada gained 30 cents to C$35.45 and Toronto Dominion Bank put on 45 cents to C$26.85. Northern Telecom continued to gain ground, adding C$1.05 to C$71.15.

São Paulo moves ahead

São Paulo was higher at midsession but with many investors sidelined in the absence of market-moving news. At 13.30, the Bovespa index was 313 higher at 63,887.

One analyst said the market was taking its lead from Wall Street, adding that stock prices already had absorbed positive news coming from Brasilia.

Among this was the Senate's expected approval of a measure to exempt exports from the value-added tax. Telebras rose 0.8 per cent and Eletrobras 1.5 per cent.

MEXICO CITY was buttressed by the market heavyweight, Telmex, and by the Dow's performance.

The IPC index was 14.38 higher at 3,317.36 by midsession.

BUENOS AIRES traded weaker as investors considered a new delay in the congressional debate of tax reforms, dealers said.

The ruling Peronist bloc in the lower house of congress failed to garner a quorum to debate fiscal measures aimed at narrowing the budget deficit. The Merval index was 1.06 easier at 533.51.

S Africa industrials ahead

Johannesburg enjoyed a solid rally as local and overseas investors pursued quality industrial stocks. This offset a continuing malaise among gold issues and took the initiative away from futures traders, who had dominated the market during the previous two weeks.

The overall index closed up 34.6 at 6,814.6, as industrials put on 48.8 to 8,040.7. Golds, however, eased 4.2 at 1,743.0, as market nerves started to become frayed ahead of a crucial IMF meeting today to consider the sale of 5m ounces of gold to raise funds to help developing countries.

Banks put in a strong performance with Standard Bank, which led the latest rate-cutting move, gaining R5.25 to R178.00. Nedcor rose R1 to R62.00 and First National rose 70 cents to R28.25, while Amalgamated Banks was steady at R22.60.

EUROPE

Paris extends rally into seventh session

A firm bond market, active futures trading and another stream of impressive company results enabled PARIS to continue to roll forward. The CAC-40 index extended its rally to seven straight days, ending with a gain of 27.31 to 2,065.37.

Banks and oils supplied most of the fundamental drive but there was good support from Eurotunnel, which rose strongly in heavy turnover to turn in the day's best CAC-40 performance.

Solid results from BNP and CCF underpinned the banks and finance sectors. The former gained FFr3 to FFr192.50, CCF added FFr1.90 to FFr240 and Bancaire advanced FFr12 to FFr530.

The sight of Brent Blend, the North Sea marker price, surging above $24 a barrel helped lift Total FFr12.60 to FFr401.

Press reports that Eurotunnel was within a whisker of agreeing a debt for equity swap with its creditor banks took the Channel tunnel operator FFr1.25 higher to FFr9.935.

Accor, the hotels group, moved up FFr18 to FFr650 with some brokers suggesting that the UK flotation of the Thistle Group had sparked renewed interest in the sector.

FT-SE Actuaries Share Indices

Sep 12	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1671.06	1672.42	1673.29	1672.88	1674.83	1675.72	1676.53	1676.86
FT-SE Eurotrack 200	1740.74	1743.48	1743.48	1744.30	1744.86	1745.22	1747.11	1747.48

	Sep 11	Sep 10	Sep 9	Sep 6	Sep 5
FT-SE Eurotrack 100	1665.65	1665.48	1654.57	1655.30	1636.88
FT-SE Eurotrack 200	1735.18	1737.80	1726.12	1713.30	1713.74

Base value 1000 (26/10/90) Highday: 100 - 1677.39; 200 - 1748.29 Lowday: 100 - 1670.72 200 - 1740.81. † Partial.

Among recently favoured takeover stocks, Cerus fell FFr1.40 to FFr125.6 and Valeo came off FFr1.0 to FFr279.0.

STOCKHOLM hit an all-time high, bowled along by positive inflation data and a strong rise for the banks sector, which jumped more than 2 per cent. The Affärsvärlden General index closed at 2,057.1, up 14.60.

Driven by the share buyback news from Nordbanken and a 0.4 per cent decline for August inflation, bank shares surged. Nordbanken gained SKr7 to SKr156 and Handelsbanken added SKr6.50 to SKr149.

Autoliv, the car safety equipment maker, jumped SKr9 to SKr236.50 on news that it was to sell air bags to German motor giant, Volkswagen. Ericsson recovered some poise after Wednesday's shakeout on the back of a profits warning from Motorola of the US. It ended SKr4 better at SKr163.

HELSINKI also had a lively session with the Hex index closing 14.71 better at 2,116.88. Nokia shook off the Motorola effect with relative ease, rising FM2 to FM189. Plans for a link-up in diesel engines with Fincantieri lifted Metra. The B shares gained more than 3 per cent to close at FM248, up FM9.

AMSTERDAM moved ahead on the back of US buying and good news from the corporate sector. The AEX index ended 2.83 better at 564.90.

A combination of a top of the range interim dividend and another good day for oil prices pushed Royal Dutch up Fl 1.80 to Fl 262.50. Unilever added Fl 10.40 to Fl 264.60 on the back of an upbeat roadshow in the US, and KLM, weak lately, recovered 90 cents at Fl 46.10.

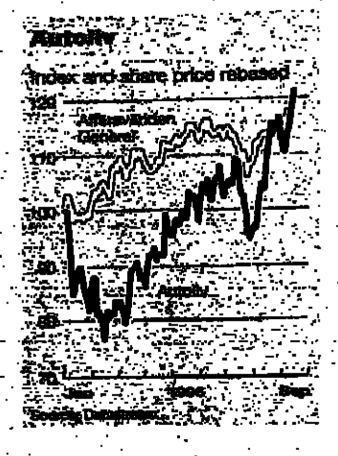
FRANKFURT watched the dollar establish itself over DM1.51 and hit a new all-time closing high, the Dax index climbing 19.34 to an Ibis-indicated 2,588.04.

Mr Michael Geiger, German strategist at CS First Boston, noted that while 60 per cent of German exports went to Europe and only about 8 per cent to the US, the dollar/DM rate had a bigger effect than that on export pricing. Moreover, he added, German equities were driven higher when foreign investors were net buyers, and that happened when the dollar was strong against the D-Mark.

Senior cyclicals rose late in the day and turnover, down from DM8.3bn to DM7.1bn, seemed to reflect a lack of conviction. Defensive stocks did better with Veba and Viag, the utility based groups, both up by more than a percentage point; and Deutsche Bank recovered 93 pfg to DM72.06 after UBS upgraded it from hold to buy.

ZURICH overcame early losses, helped by a firmer dollar and early strength on Wall Street. The rise in the SMI index was, however, limited to 8.3 at 3,697.2 in cautious trade, ahead of today's half year figures from Nestlé and US inflation data.

Among financials, UBS bearers stood out with a loss of SFr21 to SFr1,150, which was attributed to rumours about reductions of profits forecasts by foreign brokers.



Rieter rose SFr9 to SFr325 after announcing 700 job cuts in Switzerland and Germany from a textile workforce of around 5,100.

MILAN edged ahead, with the Comit index 1.71 higher at 592.41, although the mood remained fragile and turnover was thin.

Olivetti failed to hold on to an early advance and finished L8.6 weaker at 574.6 as the company's senior managers and auditors met the Consob bourse watchdog to answer queries over the group accounts.

Parmalat followed a similar path, turning back from a high of L1,956 to finish L70 lower L1,815, as the botulism scare continued to take its toll.

Fiat fell L36 to L4,345 in further response to poor registration figures for August and the pessimistic expectations for its first half results.

ENI, however, jumped L89 to L6,661 in a delayed response to the recent rise in oil prices, and as the share recovered from selling pressures ahead of next month's placement of a second tranche of the oil giant.

BRUSSELS ended flat with the Bel-30 index 0.02 lower at 1,753.29. Turnover was BFr3.1bn, nearly BFr1bn of that in Barco, the electronics group, which shed BFr400 or 7.4 per cent to BFr5,010, as analysts professed disappointment with a 10 to 15 per cent profits growth forecast for 1997.

VIENNA suffered a bruising session as Flughafen, the airport operator, plunged 15 per cent in response to half year results that proved sharply below expectations.

The ATX index lost 19.93 or 1.9 per cent to 1,013.84 as Flughafen tumbled Sch107.4 to a year's low of Sch608.6.

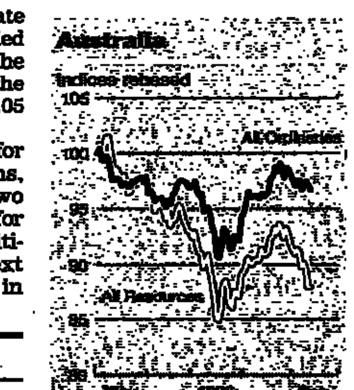
Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

ASIA PACIFIC

Bangkok rebound continues on political hopes

Intervention by the private sector support fund enabled BANGKOK to rally for the second day running and the SET index finished 30.05 higher at 1,026.21.

The index, which fell for nine consecutive sessions, has put on 44 points in two days as hopes have risen for a break in Thailand's political log-jam ahead of next week's no-confidence vote in parliament.



Tokyo

Today's settlement for September futures and options contracts depressed share prices and the Nikkei average lost ground for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The 225 index fell 127.11 to 20,443.93 after moving between 20,375.40 and 20,529.94. The Topix index of all first section stocks fell 4.81 to 1,554.34 and the Nikkei 300 lost 0.85 to 289.64.

Volume totalled 322m shares against 334m. Declines led advances by 689 to 323 with 220 unchanged and, in London, the ISE/Nikkei 50 index rose 2.43 to 1,391.31.

Although equities saw underlying support from domestic institutions, Wednesday's plunge in Nikkei 225 futures in Chicago touched off arbitrage unwinding, weighing on share prices.

The decline in Ga-jo-en Kanko, a hotel operator, depressed speculative favourites. The stock fell by its daily limit of Y50 to Y62. Mitsui Matsushima, a coal trader, fell Y14 to Y595, TYK, the firebrick maker, lost Y10 to Y1,460 and Odakyu Construction lost Y86 to Y914.

Overseas investors took profits on large capital steels and shipbuilders. NKK fell Y4 to Y278, Kawasaki Steel Y4 to Y355 and Kobe Steel Y7 to Y275. However, foreigners bought carmakers on expectations of firm earnings growth. Mazda edged up Y1 to Y534, Toyota Motor Y10 to Y2,700 and Nissan Motor Y1 to Y848.

Telecommunications stocks, bought recently by foreigners, lost ground on profit-taking. Nippon Telegraph and Telephone lost Y5,000 to Y810,000 and DDI, the long-distance operator, sagged Y5,000 to Y872,000.

Sakura Bank, which is raising Y150bn in capital through preferred shares this month, lost Y10 to Y1,020. The sector had been depressed recently due to profit-taking by investors who are discouraged by a wave of banks dipping into the market to boost their capital ratios.

In Osaka, the OSE average fell 90.08 to 21,426.79 in volume of 233.4m shares.

Roundup

Investors took heart from this week's rupee devaluation and KARACHI ended more than 2 per cent higher. The 100 index gained 31.82 to 1,362.77 on short-covering and good activity in global depository receipts (GDRs).

PTCL rose Rs1.15 to Rs34.25 and Hub Power added Rs1.35 to Rs30.70.

WELLINGTON moved lower in dull volume. The 40 capital index ended down 23.03 at 2,212.22, with heavy selling of market leader NZ Telecom accounting for 13 points of the setback.

Telecom, a strong market lately, came off 15 cents to $6.80. The market was said to have been slightly nervous ahead of today's Reserve Bank economic projections.

SYDNEY closed lower with another slide in resource stocks wiping out the positive impact of overnight gains on Wall Street.

The All Ordinaries index ended down 9.7 at 2,236.6 and the All Resources index came off 14.6 to 1,307.2.

Resource stocks met with further heavy selling but there was also some bargain hunting towards the close. BHP ended off 12 cents to A$16.00 while RTZ-CRA lost 47 cents to A$17.83. The latter released interim results after the market close.

Brokers said there was some switching out of resources and into the banking sector. Westpac gained 4 cents to A$6.40 and Commonwealth Bank added 14 cents to A$11.24.

TAIPEI reversed early gains to end lower on late selling pressure. The weighted index dipped 29.76 at 6,425.68. Electronics recorded the sharpest losses with Acer down T$1.7 at T$38.7 and Mitac off 90 cents to T$23.8. In contrast, textiles moved higher following recent product price hikes. Far Eastern Textile added 60 cents to T$31.1.

HONG KONG edged ahead, with Henderson Land's solid fiscal 1996 earnings and overnight gains on Wall Street unable to arouse enthusiasm in a selective market. The Hang Seng index rose 15.36 points to 11,251.72 in turnover that edged up to HK$4.4bn. Henderson Land rose 75 cents to HK$61.75, but other property developers were weak.

SEOUL ran into profit-taking in Kepco, the electricity monopoly, which prompted falls among other blue chips. Demand, however, remained strong for second tier shares and some small-capitalised stocks. The composite stock index shed 3.88 to 797.57 as Kepco, heavily weighted on the index, lost Won600 to Won27,800.

JAKARTA moved higher but in cautious trade as investors assessed the implications of news that the minimum reserve requirement ratio of banks would be raised to 5 per cent from 3 per cent. The composite index rose 3.74 to 546.46.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 11 1996								TUESDAY SEPTEMBER 10 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	204.91	-0.2	195.40	142.80	160.84	170.09	-0.5	4.49	205.39	195.61	142.67	161.02	170.95	212.18	179.77	186.62
Austria (24)	176.75	-0.3	168.54	123.17	138.73	138.66	-0.2	2.03	177.35	168.91	123.19	139.04	138.96	195.04	168.11	180.88
Belgium (27)	215.93	-0.2	205.91	150.49	169.49	165.61	-0.1	4.02	216.43	206.13	150.35	169.66	165.73	218.69	187.17	188.49
Brazil (26)	180.67	-0.5	172.28	125.91	141.81	338.64	-0.7	1.93	181.48	172.84	126.07	142.28	340.90	189.70	123.97	155.47
Canada (117)	163.38	0.2	155.80	113.86	128.24	162.25	0.2	2.22	163.10	155.34	113.30	127.87	161.88	165.12	134.14	148.13
Denmark (30)	318.08	-0.7	303.32	221.67	249.67	251.61	-0.7	1.82	320.46	305.21	222.61	251.23	253.31	321.04	276.89	283.58
Finland (23)	205.98	-1.2	196.43	143.55	161.68	197.33	-1.2	2.53	208.43	198.51	144.79	163.41	199.83	276.11	171.73	269.65
France (93)	190.97	-0.3	182.11	133.09	149.90	154.36	-0.1	3.15	191.47	182.36	133.01	150.11	154.51	198.39	167.70	173.58
Germany (58)	173.76	-0.3	165.69	121.09	136.38	136.38	-0.1	1.80	174.20	165.91	121.01	136.57	136.57	177.63	155.66	159.68
Hong Kong (59)	430.02	0.1	410.06	299.68	337.53	426.88	0.1	3.48	429.47	409.04	298.34	336.70	426.35	451.19	354.67	368.44
Indonesia (27)	192.77	0.7	183.83	134.34	151.31	275.55	-0.1	1.72	191.45	182.34	132.99	150.10	275.77	–	–	–
Ireland (16)	290.83	-0.5	277.34	202.68	228.28	254.69	-0.3	3.44	292.15	278.24	202.94	229.04	255.43	292.15	240.62	240.62
Italy (58)	73.78	-1.2	70.36	51.42	57.92	83.91	-1.0	2.57	74.69	71.14	51.89	58.56	84.79	84.53	67.22	78.09
Japan (481)	142.28	-0.4	135.68	99.16	111.68	99.16	-0.1	0.77	142.81	136.01	99.21	111.96	99.21	164.68	137.75	147.81
Malaysia (107)	552.47	0.0	526.83	385.02	433.65	532.07	-0.1	1.23	552.31	526.03	383.67	433.01	532.49	585.09	425.77	497.28
Mexico (19)	1261.10	-0.4	1202.58	878.88	989.87	10414.23	-0.2	1.29	1266.32	1206.06	879.66	992.78	10433.81	1325.65	791.99	1195.70
Netherland (18)	298.44	0.0	284.59	207.99	234.26	230.46	0.1	3.14	298.52	284.31	207.37	234.03	230.18	304.24	250.13	251.00
New Zealand (15)	86.50	-0.2	82.49	60.28	67.90	65.86	-0.6	4.17	86.68	82.56	60.21	67.95	66.26	86.68	75.94	78.39
Norway (36)	250.74	-0.8	239.11	174.74	196.81	220.33	-0.7	2.05	252.75	240.72	175.57	198.15	221.91	256.94	222.24	233.50
Philippines (22)	203.57	-0.7	194.12	141.87	159.79	266.05	-0.7	0.80	205.00	195.24	142.40	160.71	267.86	–	–	–
Singapore (44)	392.90	-0.8	374.67	273.82	308.40	255.39	-0.5	1.09	396.28	377.42	275.28	310.68	256.76	465.21	360.49	386.76
South Africa (44)	345.75	0.1	329.70	240.95	271.39	338.74	-0.1	2.24	345.34	328.90	239.89	270.74	339.10	437.76	314.20	350.27
Spain (37)	173.01	-0.3	164.98	120.57	135.80	167.02	-0.1	3.51	173.61	165.35	120.60	136.11	167.16	183.85	145.15	153.70
Sweden (48)	364.10	0.2	347.21	253.75	285.79	361.15	-0.1	2.36	363.50	346.20	252.51	284.98	361.58	357.28	294.19	306.91
Switzerland (37)	243.56	-0.6	232.26	169.74	191.18	186.26	-0.5	1.58	244.74	233.09	170.01	191.87	187.11	254.34	202.78	203.71
Thailand (45)	131.37	1.9	125.28	91.55	103.12	129.38	1.9	2.64	128.90	122.77	89.54	101.06	126.90	193.95	128.90	161.56
United Kingdom (200)	245.70	-0.4	234.30	171.23	192.86	234.30	-0.3	4.08	246.73	234.99	171.39	193.43	234.99	247.51	220.57	222.44
USA (624)	271.87	0.5	259.28	189.47	213.40	271.87	0.5	2.17	270.54	257.66	187.93	212.10	270.54	276.47	234.23	234.23
Americas (788)	248.66	0.5	237.12	173.29	195.18	209.12	0.5	2.16	247.51	235.74	171.94	194.05	208.15	252.43	214.84	214.84
Europe (706)	213.78	-0.4	203.86	148.99	167.80	185.96	-0.3	3.07	214.57	204.36	149.05	168.22	186.45	216.96	191.44	192.81
Nordic (137)	313.59	-0.3	299.04	218.54	246.15	271.94	-0.4	2.27	314.40	299.44	218.40	246.48	273.06	316.84	261.13	268.51
Pacific Basin (878)	156.49	-0.3	149.23	109.06	122.83	110.73	-0.1	1.25	156.96	149.49	109.03	123.06	110.81	177.01	148.86	158.12
Euro-Pacific (1584)	180.23	-0.3	171.86	125.60	141.46	139.10	-0.2	2.14	180.83	172.23	125.62	141.77	139.33	190.57	165.51	172.48
North America (741)	265.24	0.5	252.93	184.84	208.19	264.60	0.5	2.17	263.97	251.41	183.37	206.95	263.33	269.52	228.90	228.90
Europe Ex. UK (506)	191.92	-0.3	183.01	133.75	150.64	158.48	-0.2	2.50	192.57	183.41	133.77	150.97	158.86	195.76	170.51	172.70
Pacific Ex. Japan (397)	284.42	-0.1	271.22	198.21	223.25	244.51	-0.1	3.00	284.55	271.01	197.67	223.09	244.85	298.68	243.59	256.68
World Ex. US (1792)	181.87	-0.3	173.43	126.75	142.76	143.87	-0.1	2.14	182.44	173.75	126.73	143.03	144.09	191.55	167.36	173.74
World Ex. UK (2216)	206.45	0.1	196.87	143.87	162.05	175.44	0.2	1.95	206.28	196.46	143.29	161.72	175.14	219.05	185.61	189.28
World Ex. Japan (1935)	246.23	0.1	234.80	171.60	193.27	232.73	0.2	2.52	245.87	234.17	170.80	192.76	232.38	247.55	217.24	217.24
The World Index (2416)	209.83	0.0	200.09	146.23	164.70	180.68	0.1	2.15	209.76	199.77	145.71	164.45	180.45	214.95	188.87	192.18

Latest prices were unavailable for this edition.

Conflict looms on plan to end cattle cull

Financial Times Reporters in London and Brussels

The UK government yesterday pressed ahead with its plan to abandon a cull of 147,000 cattle which could be infected with bovine spongiform encephalopathy, or mad cow disease, saying it would raise the issue in talks with the European Commission and its European Union partners.

Amid signs that Mr John Major's ruling Conservative party government is bracing itself for a head-on collision with the EU over plans to abandon the cull, Mr Douglas Hogg, the UK agriculture minister, will discuss the matter next Monday with Mr Franz Fischler, the European Commissioner for agriculture.

An aide to Mr Major said last night that Mr Hogg, who will also attend a meeting of the EU's Agriculture Council on the same day, will explain why the UK believes the cull should now be abandoned in the light of new scientific evidence.

This shows that the cull would make little difference to the rapid decline of the BSE epidemic, which is expected to disappear by 2001. It is understood Mr Hogg will want to know how EU member states would react to the suggestion that the cull should be abandoned, or possibly reduced to a more selective cull of 44,000 animals.

Mr Hogg will also want to know how many member states have hardened their position on the lifting of the ban on UK beef exports, following evidence that BSE could be transmitted from cow to calf in about 1 per cent of cases.

But government officials denied claims last night that his willingness to discuss the matter with EU member states represented a climb-down from a previous threat to abandon the cull.

Instead, they emphasised that the cull of 147,000 cattle would be wholly or partially abandoned if agreement could not be reached on the issue.

One official said: "If, as seems likely, we merely confirm what we already suspect – that the Europeans want to actually raise the number of cattle we have to slaughter rather than reduce it – then we will just go ahead with abandoning the cull."

The European Commission said yesterday it had already called for a review of the selective slaughter policy because of fresh evidence that the disease can be transmitted maternally.

A Commission official said the Commission was open to considering a different approach to the selective cull.

"If there is a better approach, we will talk about changing it," the official said.

EU officials anticipate that most member states will reject suggestions of a reduction in the cull, particularly in the light of evidence on maternal transmission.

European Commission wants to extend hours of hospital and prison staff

Britain objects to 48-hour week rule

By Caroline Southey in Brussels and Robert Taylor in Blackpool

The European Commission is drafting plans to extend rules on a maximum 48-hour working week to a range of workers not covered by the present legislation.

The Commission will unveil the package after the European Court of Justice has ruled on the British government's challenge to the European Union's directive setting a maximum 48-hour week. The judgment is expected within the next few weeks.

The working time directive obliges EU member states to introduce laws giving mandatory rest breaks, a minimum daily rest period of 11 hours, at least one day off a week, no more than eight hours a shift on average for night work and four weeks' annual paid holiday.

Large numbers of workers are presently excluded from the directive, including the transport sector, doctors in training as well as employees in hospitals and prisons.

The Commission's proposals will push for a selective extension of the rules to workers in the excluded sectors. "There are workers in these sectors that do routine jobs. There is no justification for a blanket exclusion of the entire sector," a Commission official said.

But, EU officials said, the Commission accepted that the rules were "impractical" for certain categories of workers.

The official admitted that extending the rules to doctors in training could pose problems as some member states defined them as students.

A Commission study carried out in 1995 found that junior doctors routinely worked more than 55 hours a week in most EU member states.

The official stressed that the proposals would outline a range of options, including collective agreements between employers and employees as well as sectoral arrangements. "We will not presume legislation is the only route to take," the official said.

The legislation does not fall under the Social Chapter, from which the UK has an opt-out, but under treaty clauses dealing with health and safety. The Commission is withholding any new proposals until the court has clarified whether working time can be deemed a health and safety issue.

The Trades Union Congress, taking place in Blackpool, north-west England, said it wanted all transport workers covered by the EU's working time directive, which will restrict the working week to 48 hours and allow workers up to three weeks paid leave.

The TUC said more than half a million UK transport workers would benefit from extending the directive.

Labour leader intrudes on unions' Emu party

Party accused of trying to hijack conference

This week's annual conference of the Trades Union Congress was supposed to focus on the creation of a new unionism for the UK labour market, based on a social partnership between workers, employers and government. The aim would be to improve efficiency and competitiveness in the global economy.

It was also intended to proclaim loudly the TUC's strong commitment to European monetary union. Mr John Monks, the TUC's modernising general secretary, firmly believes that British unions must take the lead in building a more integrated European Union.

British union leaders have concluded that the UK would be better inside any Emu, even though they have genuine doubts about the dangers of higher unemployment and wage inequalities that could stem from an Emu based strictly on the Maastricht treaty convergence criteria.

The conversion of the UK trade union movement to the cause of European monetary integration is remarkable and has not so far received the public attention it deserves. The TUC is now more committed to Emu and a single currency than any other national institution, even the Confederation of British Industry, the main employers' lobby, and the Bank of England, the UK central bank.

But to the fury of many union leaders, the Emu decision was lost amid the turmoil that erupted over the Labour party's sudden proposal that action was needed to curb public-sector strikes.

The unions' agenda was sidelined by the intrusion of Mr Tony Blair, leader of the Labour party, eager to display toughness in an appeal to the middle-class electors whose votes, it is believed, will play a big part in determining the result of the next general election.

Opinion polls consistently suggest that the Labour party – out of power since it was first defeated by the Margaret Thatcher-led Conservatives in 1979 – will win the election, which must be held in May next year at the latest.

"The Labour party tried to hijack the congress," said one senior TUC official yesterday. Mr Blair was apparently pleased by the favourable media coverage of his appeal to "Middle England" as it appeared to demonstrate once again the Labour leader's determination to stand up to what he regards as old-style unionism.

Mr Monks is still unsure what role, if any, Mr Blair envisages for trade unions under a Labour government. "Labour keeps telling us what they are against on industrial relations reform and says little about what they are for," he said.

Labour is committed to a legally-enforceable national minimum wage to help the low paid, though Mr Blair will not say at what figure it should be set at until he wins power. Then he will wait for a proposal from a low pay commission – to be made up of employers, union representatives and academics – before deciding.

But more important was the TUC's endorsement of "new" unionism and its strong connections to the outside world. Delegates were enthusiastic about the fiery address made by Mr Richard Trumka, secretary-treasurer of the AFL/CIO union federation in the US. His radical call for an organising crusade by trade unions across the world against corporate power and hostile governments brought delegates to their feet.

In small ways, the TUC is learning from the US labour experience. It plans to appoint a project director to help in organising efforts. A special task force is being established to look at improving union recruitment.

But the TUC is not yet ready to launch campaigns to bring young workers into the trade unions along the lines of Union Summer – the recruitment drive in the United States. Many unions remain sceptical, if not hostile, to modern techniques of communication which can reach out to the millions of workers in the UK's insecure and flexible labour market.

But when all the sound and fury around the Labour party's intrusion is forgotten, the TUC's new emphasis on recruitment and campaigning may turn out to be the most significant achievement of this year's Blackpool conference.

Robert Taylor

Dan Chung

Big hand: Mr Trumka was applauded for his rallying cry

Estimates indicate big cereals harvest

By Maggie Urry

This year's UK cereals harvest will be the biggest for many years, according to early estimates from industry sources. But a surplus of wheat in the UK and Europe is likely to put pressure on prices and require the UK to develop new export markets.

Dalgety Agriculture, the subsidiary of the Dalgety food group, yesterday predicted a total cereal crop of 24.6m tonnes, the highest since the mid-1980s. Other estimates are lower, with Allied Grain Group predicting a harvest more than 23m tonnes.

Final figures will not be available until farmers in the north have finished harvesting.

Mr Andrew Barnard, UK arable crop marketing manager at Dalgety Agriculture, said the area of land used for cereal production in the mid-1980s was 18 per cent bigger than today, because the policy of set-aside introduced since then had taken land out of cultivation.

Even so, part of the reason for this year's bigger harvest was a 4.2 per cent rise in the acreage planted from 1995, following a reduction in the amount of land which could be put into set-aside.

The increased crop over the last 12 years reflected higher yields. Mr Barnard said Dalgety Agriculture's survey of 1,000 farmers suggested a wheat yield of 8.23 tonnes per hectare this year, compared with 7.71 tonnes/ha in 1984.

Mr Barnard predicted a total UK wheat crop this year of 15.9m tonnes, confounding earlier views that the prolonged dry spell in spring would have limited the harvest.

The National Association of British and Irish Millers, a trade body representing flour millers, warned that in spite of the bumper harvest there could be a shortage of wheat suitable for breadmaking, maintaining prices for that sector and forcing millers to import wheat.

The size of the crop will pose problems in selling it, Mr Barnard said. Earlier in the year, concerns about a worldwide grain shortage had pushed prices up. That process was now reversing.

Mr Trevor Harriman, commercial manager at Dalgety Agriculture, said that a UK wheat crop of 15.9m tonnes would result in an exportable surplus of 4.65m tonnes.

He expected 2m tonnes to go to EU countries and a further 600,000 tonnes to third countries, leaving a surplus of 2.05m tonnes, compared with a balance of supply and demand last year. The European harvest had improved. Predictions from the French cereals monitoring body suggest an EU grain harvest exceeding 195m tonnes.

UK NEWS DIGEST

Rivals protest at £23.5m grant

The award of £23.5m ($36.6m) in British government grants to Interconnection Systems, the country's biggest printed circuit board maker, has prompted protests from rival electronics companies. They claim that the grants for the £120m factory in Tyneside, an unemployment blackspot in north-east England, will create unfair competition and threaten jobs at other companies.

The grants to Interconnection Systems (ISL), which is based in Tyneside, were announced in July after months of tense negotiations during which the company considered sites in Scotland and Spain, as well as north-east England. The size of the grants played a central role in the company's decision. The British government's Department of Trade and Industry said yesterday that the company would have gone to Spain if Britain had withheld state aid. The factory would have been built so that other British makers would still have faced increased competition. But 1,000 jobs would have gone to Spain instead of Tyneside.

Earlier this year the department rejected a complaint about the grants from The Printed Circuits Interconnection Federation (PCIF), the British trade association representing 150 companies. Yesterday, the issue was raised repeatedly at the federation's annual conference. Mr Brian Haken, the federation's executive director, said: "Everybody is saying, 'This is so unfair. Why can't we get grants?'." ISL declined to comment. *Stefan Wagstyl*

■ ECONOMY

Inflation rate drops to 2.1%

The rate of inflation fell from 2.2 per cent to 2.1 per cent last month, official figures yesterday showed. However, the underlying rate of inflation, which excludes mortgage interest payments remained stubbornly at 2.8 per cent – above the government's target of 2.5 per cent. The Office for National Statistics said that an upsurge in demand for cars pushed motoring prices 1 per cent higher in August, leaving them 2.6 per cent above last year's level.

However, household goods prices were flat on the month, and only 3.1 per cent higher than a year earlier. Clothing and footwear prices 1.4 per cent lower than the same period a year before.

The monthly price increase in seasonal foods in August was lower than last year, pushing the annual rate of food inflation slightly lower. But on the other hand, the monthly increase in non-seasonal food costs was slightly higher. Higher house prices put upward pressure on the index, but this was largely offset by mortgage interest rate cuts. The overall retail prices index stood at 153.1 per cent (compared with a base of 100 in 1987.) *Gillian Tett*

■ WATER COMPANIES

Takeover bid 'like asset stripping'

The Labour chairwoman of the cross-party parliamentary water group of MPs yesterday claimed that a proposed joint bid for Mid Kent Water, the water company, by the French companies General Utilities and Saur was akin to "asset stripping". In a letter to the Department of the Environment and other organisations Ms Helen Jackson, said the takeover would "result in virtually all the south-east of the country except London being in the hands of the French companies".

The bid, being investigated by the Monopolies and Mergers Commission, is unusual in the sector as the main justification given is water resources rather than cost savings. Ms Jackson said yesterday: "There are enough concerns to mean that there should be a lot more examination of how to deal with the common resource rather than via a takeover". In his response to the letter however Mr Robert Jones, junior environment minister, rejected concerns about foreign ownership. It had no implications for the "operation of the water industry's regulatory system" or standards, he said. The MMC is due to report its findings to the Department of Trade and Industry on September 30. *Jane Martinson*

■ OSTRICH FARMING

Court extends assets freeze

Injunctions freezing the worldwide assets of four men and two companies alleged to have siphoned off £3.37m ($5.25m) as intermediaries in an ostrich farming scheme were extended for 14 days yesterday in the High Court. Mr Justice Laddie also ruled that a writ against three of the men – Mr Jack Bennett, Mr Brian Ketchell and Mr Allan Walker, all directors of Ostrich Farming Corporation – could be served by leaving it at their last known addresses. The three men have not been located since the writ was issued on September 2.

The judge released more money to allow a fourth defendant in the action, Mr Kevin Jones, to pay his legal costs. Mr Jones, now resident in Amsterdam, is alleged to have received "large sums of money" from OFC for acting as a selling agent. Mr Michael King, for OFC, said: "It is our contention that he has other assets than what he claims he has." In an action brought by its liquidators, Coopers & Lybrand, OFC is seeking the return of alleged "excessive payments" made to the four men and to Wallstreet LLC, of Delaware in the US, and Wallstreet Corporation, based in Leicester, England. OFC was compulsorily wound up after the Department of Trade and Industry moved to close it down on public interest grounds. *Clay Harris*

■ MANUFACTURING

Machine tool exports rise

Exports of machine tools from UK-based companies increased 2.2 per cent in the three months to the end of July compared with the previous three months, the Office for National Statistics, said yesterday. The industry also saw a 0.6 per cent fall during the same period in domestic sales. In the latest three months, total sales of the sector rose 1.3 per cent compared with the equivalent period a year ago. *Peter Marsh*

Irish president jeered in Belfast

Mrs Mary Robinson, president of the Republic of Ireland, was jeered by anti-nationalists yesterday when she visited Belfast, the capital of Northern Ireland. About 20 "loyalist" women shouted opposition to her presence when she visited a women's centre in the city.

At a separate engagement she had her first public meeting with Mr Gerry Adams, president of Sinn Féin, the political wing of the Irish Republican Army.

Mrs Robinson admitted later that she had met "very small local hostility" from the loyalist women. Dismissing the incident as nothing significant, she said: "After the summer we have had it is not surprising that there are some fears; it is not surprising that there is some distrust."

But she also said her visit to Northern Ireland should not be misunderstood: she had no political agenda and her visit was all about partnership.

She said during a visit to the conference of European Methodist Churches that the Methodist Church in Northern Ireland "had the courage to speak at different times about the need for a more inclusive approach to power-sharing".

Alcoholic lemonades find favour

By David Blackwell

At the beginning of 1994 Mr Duncan MacGillivray of Adelaide, Australia, was asked by a neighbour if he could find a use for a surplus of lemons. His solution sparked off a drinks revolution in the UK.

Mr MacGillivray created Two Dogs, the alcoholic lemonade. It sold 600,000 cases in Australia in its first year and was brought to Britain by Merrydown, a small cider company, in July 1995.

The success took Merrydown by surprise. Only a year ago Mr Richard Purdey, chairman, warned it could be temporary.

But the drink helped keep Merrydown's head above water through a bitter cider price war, and others in the drinks industry latched on. Bass, the biggest brewing group in Britain, quickly launched its own brand – Hooper's Hooch, which is now available in three flavours and the dominant player in the market.

Others followed, including this month Carlsberg-Tetley with its controversial Thickhead. The Portman Group, the drinks industry-funded alcohol policy institute, objected to the youthful face on the bottle and the small typeface on the word alcoholic. Carlsberg-Tetley will change both once stocks of are exhausted.

The alcopops phenomenon is so new that figures are hard to come by. Mr Purdey of Merrydown says an educated guess would put annual retail sales at about £300m ($468m) already. This makes it three to four times the size of the premium cider market.

Mr Ian Morris, communications director at Bass, believes that the success of alcopops is symptomatic of a change in the drinks industry. He agrees that Hooch has taken market share from premium ciders, but believes the alcopops have bitten into sales of premium drinks across the board – including beers and spirits.

Merger tactics cause concern among London lawyers

After an unsettling series of events for medium-sized firms, many of them could be faced with a stark choice

For the City of London's legal establishment it has been an unsettling week.

On Monday came the news that Arthur Andersen, the accountancy firm, is to merge its Spanish law operation with leading Spanish commercial law firm A&J Garrigues, to create the largest law firm in Spain. Then on Tuesday Alsop Wilkinson and Dibb Lupton Broomhead, two of the UK's leading law firms announced they are to merge, creating the UK's seventh largest firm with an annual turnover of £100m.

Both announcements are bad news for the City's medium-sized law firms. They have been battered by the recession after over-reaching themselves in the mergers and acquisitions boom of the late 1980s. Now they are forced to watch helplessly while the top five City of London firms disappear over the horizon with the premium corporate work and ambitious national firms such as Dibb Lupton chip away at their corporate client base from the bottom.

If there has been a silver lining for the medium-sized firms, many of which used to count themselves among the best, it is that the move by the Big Six accountancy firms into the legal services market has been slower than expected. Most of the accountancy firms have been content to follow the example of Arthur Andersen, which, in Garrett & Co, started its own commercial law offshoot from scratch. Abroad, they have formed alliances with small or medium-sized commercial law firms. Arthur Andersen's move in Spain, however, suggests a change, which if repeated in the UK could spell disaster for the City's second tier firms.

Mr Nigel Knowles, who will head the newly-merged Dibb Lupton Alsop from October, has little doubt the market is beginning to change rapidly. "There is every indication that in the next few years the providers of legal services will be reduced to handful of key players – this merger will ensure we are among that group," he says.

Over the past three years, corporate clients have shifted from using one law firm for all their needs to employing a variety of firms.

This trend has benefited the national law firms, which undercut establishment City of London operations for lower value work. It also benefits firms which have niche strengths in specialist areas such as intellectual property and City advice. It is also clear that smaller companies in the lower half of the FT-SE 500 are using national firms as their main corporate lawyers – and not just for lower level work.

Those who have not benefited, however, include firms in the lower half of the top 10, City firms which specialise in vulnerable areas such as construction work, and second tier City firms still offering a full-range of commercial law services.

According to analysts, the only firms untouched by this trend are the top five, Clifford Chance, Linklaters & Paines, Slaughter and May, Allen & Overy and Freshfields. "They continue to receive guaranteed, and, in many cases, increasing UK and international business from the City institutions and large quoted companies," one says.

Analysts argue that the disadvantaged group faces a straight choice between specialisation or merger. If not, they can look forward to gentle, long-term decline.

Some observers believe the Dibb Lupton Alsop alliance will act as a catalyst for mergers. Mr Adrian Burn, senior partner of accountants Binder Hamlyn, which advises many of the leading commercial law firms, says there will be a flurry of merger activity over the next two years similar to that in accountancy in the 1980s.

But others are not convinced. "People say logic dictates law firms will merge like the accountancy firms did. Accountancy firms are completely different. There is something about the audit function which makes mergers logical," one analyst says.

If the legal services market is entering a period of change there are signs that the top five City firms may not escape unscathed. Recent research on the lucrative market for global equities work shows the leading UK firms losing out heavily to their US rivals. If that pattern does not change, the need to seek a transatlantic merger may become imperative for the top five, and that would change the face of the legal services market for ever.

Robert Rice

John Kay

A cowboy culture

Opportunistic behaviour, although essential to the spirit of a successful market economy, can destroy it

Mr Mole runs a service station on the outskirts of Manchester. Petrol has been on sale there for approximately twice the normal price. There is nothing exceptional about the petrol or the facilities provided by Mr Mole. It is unlikely that any customers visit his service station more than once. But on an arterial road on the fringes of a big city, there is sufficient passing trade to keep Mr Mole in business. There are three responses to the story of Mr Mole.

The free-market approach is reluctant to interfere with his freedom to trade. People buy petrol voluntarily from Mr Mole (in a sense). Who are we to distinguish between Mr Mole and the trader whose petrol is of such outstanding quality that everyone agrees that it is easily worth twice the price?

This answer is self-evidently ridiculous. But in understanding why it is ridiculous we see that the problem posed by Mr Mole is more troubling than it appears at first sight.

We are probably inclined to think that action to stop Mr Mole from trading in this way is not worth the trouble. And in Britain in 1996 that answer is probably right. But there are economies – like those of Nigeria, Haiti, or parts of the former Soviet Union – where behaviour like that of Mr Mole is endemic rather than exceptional, and this is the main reason why such economies are poor.

In these places we need to confirm the precise contractual terms of trade before we engage in even the most trivial of exchanges. In these places we find that we can only ensure that our expectations are met if we are able to enforce the terms of contracts. We can use the courts, but we will often find it easier to use our fists. The result is that the cost of doing business is so large that little business takes place. And, much of the business that does take place is at the fringe of fraud and illegality.

If there were more than a few garages like that of Mr Mole most of us would conclude that in future we would only buy our petrol from stations operated by companies like Shell and Esso, whom we expect would not trade in this way. But that solution imposes substantial economic costs. It creates an environment in which it is difficult for genuine local entrepreneurs to succeed. How is such a person to distinguish himself from the myriad of Mr Moles? And it is difficult and costly for Shell and Esso to maintain their own high business standards in such circumstances. Often, they will conclude that the effort is not worthwhile. They would rather operate in Britain, the US and Singapore. This is not a purely theoretical problem. It is a central problem – perhaps the central problem – of underdeveloped economies.

The second approach is to frame rules designed to restrict the activities of Mr Mole. But this is hard. Mr Mole's customers simply take for granted that petrol will be sold at a fair price.

> But there are economies – like parts of the former Soviet Union – where behaviour like that of Mr Mole is endemic rather than exceptional

Mr Mole thinks that it is fair game to make profits from consumer misinformation. So do the cowboys who persuade old ladies that their drives must be expensively resurfaced; the financial institutions which sell complicated trading strategies to gullible corporations and public authorities; and the betting shops whose naive and luckless punters return every afternoon.

Which of these do we think should be outlawed? And how? There are already rules on how service stations must display their prices and these could, no doubt, be tightened. It would be necessary to prescribe the size and perhaps the typeface of the sign; the units of measurement in which the information is conveyed. We will need to specify how often the sign is to be cleaned, and to stop Mr Mole from planting a tree in front of it. We know what that world is like. It is the world of fussy, bureaucratic regulation. It gets in the way of honest, sensible business and it is rarely adequate to block the activities of Mr Mole.

The third solution – and, I think, the only practical solution – is to live in a world in which business values are not those of Mr Mole. And that is a world in which people like Mr Mole find it hard to trade. They cannot obtain petrol from reputable sources. Equipment manufacturers will not supply them. The local bank manager and accountant want none of their business. In describing these mechanisms, we can see how they are breaking down. They are breaking down in the face of widening markets, in which trade is inevitably more impersonal. But they are also breaking down under the pressure of a belief that it is certainly unnecessary, and perhaps even wrong, for us to behave in these judgmental ways in our commercial lives. But it is necessary to have these sanctions.

The problem is that while opportunistic behaviour is an essential part of the spirit of successful market economies it is equally capable of destroying them. The attempt to write rules that would discriminate between desirable and undesirable opportunism is obviously and inevitably doomed to fail.

Yet few of us have much difficulty in distinguishing, at least at the extremes, one type of activity from the other. We can see the difference between Mr Mole and the man whose petrol is twice as good as other people's. We know that the innovations of Drexel Burnham Lambert are not valuable but those of Merck are.

Market economies actually depend on the social sanctions which come from these perceptions, and the understanding that not all profitable activities are equally valuable. There are those who advocate that the economic role of government is to lay down rules, and that companies should then be free to trade within them as they wish. In doing so they have fallen victim to the same fallacy as those who thought they could run the Soviet Union from Moscow. If that kind of state would work, then socialism would have worked. Would utility prices be higher or lower and the companies concerned more or less profitable, were they simply required to set prices that were reasonable, rather than engaging in protracted and acrimonious negotiations with their regulator to fix a price cap?

This is an extract from John Kay's presidential address to Section F at the British Association's Festival of Science in Birmingham.

The telephone takes its place in marketing's front line

New line of attack

Telephone contact with customers is ripe for outsourcing, says Alan Cane

Salt Lake City, Utah, will take on a distinctly British flavour this month, when staff of Matrixx Marketing begin training to answer telephone calls from the UK.

Matrixx operates call centres, offices filled with telephones, computers and staff dedicated to answering calls from customers on behalf of client companies. The Salt Lake City centre has been engineered to take the overflow when the group's UK centre in Newcastle upon Tyne reaches capacity. It will mean total immersion in British culture for the Matrixx staff, who will have to familiarise themselves with UK regional accents, pounds and pence, spelling differences and place names, not to mention the British sense of humour.

The Matrixx initiative illustrates the way the telephone is emerging from its utilitarian business background to take a new role in marketing's front line.

A more positive attitude among customers to buying and selling over the phone is an important driving force. A combination of computer technology and advanced telecommunications is making it possible.

The merger announced last week between Sitel, a US company, and the privately-held UK group Mitre, to create one of the world's largest telemarketing groups is strong evidence of the growing importance of the telephone as a business tool.

Glenn Hurley, marketing director of Mitre, says the deal marks the coming of age of the telemarketing industry, an indication that it has the maturity to take its place alongside more traditional marketing methods.

Telemarketing is a two-way street. Staff generate outbound calls to prospective customers; customers make inbound calls to have their queries answered and, increasingly, to initiate and complete transactions.

The computer underpins both operations, providing information about products and services on offer and, more significantly, about customers. The aim is to develop customer relationships and loyalty.

The Mitre Group claims that it is a new way of working: "Entire businesses around the world are now being built exclusively on the telephone, with the sort of success that has prompted established players in the market to emulate them or face becoming a second-rate force."

Evidence of this impact is the growth in call centres. Staff at the call centres may be directly employed or the centre may operate on a bureau basis. Mitre, for example, provides call centre services to Microsoft, the world's largest software house, American Express, the financial services group and Sony, the Japanese electronics group.

Some argue that the emergence of call centre bureaux represents another kind of outsourcing, to sit alongside data processing and information technology.

There is powerful logic behind the growth of call centres. Dealing with the vast numbers of queries and requests for help generated by a high-technology supplier such as Microsoft can tie up central staff and telecommunications resources to an unacceptable degree. Outsourcing the responsibility to a third party frees people and telephone lines for more productive activities.

The US is the world leader in call centres. According to Joanna Piggott, of the London-based consultancy Schema, who has carried out extensive research on the call centre market, the US is three to five years ahead of the UK, the European leader, in the proliferation and use of call centres. Some 50 per cent of television advertisements in the US carry a telephone contact number, compared with only 19 per cent of UK commercials. The US is also ahead in the use of free phone (0800) numbers to contact suppliers.

Matrixx, which is part of the Cincinnati Bell group, has revenues of $300m (£200m) and the capacity to deal with 150m inbound and outbound calls each year through 17 call centres throughout the world. Its US customers include DirecTV, a satellite television channel and ConAgra, a foods group. It also collected contributions for the victims of the Oklahoma City bombing on behalf of the Red Cross.

Don Anderson, managing director of Matrixx Marketing in the UK, points out that only some 67 per cent of calls initiated as a consequence of television adverts in the UK are answered because the calls come in sharp flurries which overwhelm staff and clog telephone lines. It is uneconomic to maintain large numbers of staff against the occasional burst of activity. Matrixx's answer has been to install the system which automatically re-directs calls to Salt Lake City when Newcastle reaches capacity.

The UK, according to Piggott, has between 4,000 and 5,000 centres staffed by 10 or more operators – 30 per cent of them have more than 100 operators. The rate of growth is between 30 and 40 per cent a year, suggesting that there could be 10,000 centres in the country by 2000. France and Germany are lagging behind with 1,400 and 1,700 centres respectively. The Germans, in particular, seem resistant to shopping over the telephone.

According to Ken McGinness, head of international business development for BT, who is keen to attract foreign companies to establish centres in the UK, there is a potential pool of 300,000 people in the UK with some 198 languages between them.

There are, as a consequence, some 70 multilingual centres in the UK making it the leader in pan-European centres. The Netherlands with 40 and Ireland with 30 are distant competitors.

ARTS

An expert manipulator of sound

Andrew Clark talks to British composer Colin Matthews about his new works

The first thing you notice when you walk into Colin Matthews's study is the group of portraits above his desk: Mahler, Schoenberg and Richard Strauss. Far from being overshadowed by such late Romantic giants, Matthews's creative landscape has been blossoming under their gaze.

The past year has seen him move steadily nearer the centre of British musical life, with recordings on two major labels and a string of prestigious commissions. Two of those commissions come to life over the next fortnight. On Tuesday Mstislav Rostropovich and the London Symphony Orchestra give the world premiere of Matthews's Second Cello Concerto, followed on September 29 by the first performance of *Renewal*, a large-scale choral and orchestral work commissioned by the BBC to mark the 50th anniversary of the Third Programme.

While Matthews, 50, has been a recognisable voice in British contemporary music for two decades, the two recent portrait recordings have spread his reputation further, garnering positive reviews from European and American critics who had not previously heard his music. The first, on Deutsche Grammophon, brings together his minimalist-inspired *Fourth Sonata* (1974), a brilliant scherzo for chamber ensemble entitled *Suns Dance* (1984-5) and the loud, violent *Broken Symmetry* (1992-3). The second disc, on Collins Classics, features four approachable works combining toughness and parody.

Matthews's output falls roughly into two styles – dark, Mahlerian lyricism on one hand, and an aggressive, fast-moving vein on the other, each a synthesis of early and late 20th century influences. His chamber and vocal works are more delicate and elusive. All are governed by an abstract, architectural rigour, and show him to be an expert manipulator of sound.

The savage energy of *Broken Symmetry*, his boldest work to date, took friends and admirers by surprise, because Matthews is by nature mild and even-tempered. Happiest when working within earshot of his family at home in south London, he describes *Broken Symmetry* as "music I had wanted to write for many years before I had the confidence to do so. I can't deny I've written some black pieces, but I've never wanted to psycho-analyse myself to find out why."

He admits, nevertheless, to being taken aback when *Broken Symmetry* was first performed. "I thought I'd gone over the top, that it was too brutal. Now I've assimilated it, I think I got the proportions right. But I can remember working with total equanimity on those forceful brass passages – I knew exactly the notes I needed, and I just calmly wrote the thing down. What one tends to forget is that, by adding *fff* and an accent to every note, you create a completely different atmosphere. I believe the way one composes must be as objective and abstract as possible."

As a result, his music can sometimes sound emotionally disengaged – and Matthews refuses to give the listener any clues to its message. "I very much dislike it when a composer says his work is 'about' something and therefore you must emote to it. It's a dishonest way of composing. I'm not looking for

Matthews: dark Mahlerian lyricism on one hand and aggressive, fast-moving music on the other

any extra-musical message. I don't mind what the listener reads into it. I hope people *do* get emotionally involved; but I don't want to be the person who supplies the emotional peg."

Although personally reticent, Matthews is not shy of discussing the techniques he uses to generate musical energy. Renowned as a quick worker, he says he never plunges into the middle of a new piece, preferring instead to set up the architecture in advance. "A lot of the energy of *Broken Symmetry* came from the shape I had formed during the period of pre-composition, so it became a process of sheer slog to fulfil that architectural form."

Composers are often asked how they find their notes, and music of high energy requires a lot of them. Matthews says he has always been concerned *not* to write music which is energetic by running on the spot. "I want it to have harmonic movement, and one way of doing this is to relate everything to a long-term pedal point.

"From the harmonic material I've worked out in advance, I derive note-rows which are transposed against pedal points, generating huge sprays of notes. It's a sort of fractal process. You can use a very small cell to generate a large amount of related material, which provides harmonic stability." He describes the new Cello Concerto as a contemplative piece, unlike anything he has done before. *Renewal*, by contrast, is a kaleidoscope of styles, with *Broken Symmetry* at its heart. Matthews has separated brass and strings in the first two movements, to prepare for the stamina test which *Broken Symmetry* represents.

The fourth and final movement, for chorus and muted orchestra, is a complete contrast. "I've been very conscious that *Broken Symmetry* is something of a blockbuster to put in the middle, but I always said I thought of it as the scherzo of a megawork, and I think I've got the balance right."

The result, running to about 55 minutes, is the nearest to a symphony Matthews will allow himself. He has his sights on a long-term opera project, but after completing two large-scale orchestral works, he feels ready for a bit of stock-taking.

He will not be idle for long. Matthews already spends much of his time working for musical causes in the UK. A former amanuensis to Benjamin Britten, he is very much part of the Aldeburgh scene, and has used his post as administrator of the Holst Foundation to set up NMC, a record label promoting the work of British composers (himself excluded). But is he not depressed by the current climate for new music?

"Yes, a lot. Sometimes I feel composers have no role whatsoever – if we withdrew our labour, nobody would notice, and quite a few people would give a cheer. One thinks of the reaction to Birtwistle's piece at last year's Proms, when people seemed to be physically offended, and even questioned whether it was serious. That's probably the broad view of contemporary music."

Matthews argues that today's composers are victims of mass culture: as music in general has become more available and accessible, the audience for new music has shrunk. "We're fighting for shelf-space with our predecessors in a way that's never happened before. That's why I set up NMC. Recordings are the one area where people can listen on their own terms. The music can be repeated, the piece seems more friendly, and the world of contemporary music becomes a little less daunting."

Matthew Bourne's men-as-swans: an artful re-thinking of the old classic in rather less artful choreography Alastair Muir

Jokes, shocks and a whiff of tragedy

Clement Crisp reviews Matthew Bourne's all-male production of Swan Lake

Last November, Matthew Bourne's re-working of *Swan Lake* was seen at Sadler's Wells. Because Bourne chose to up-date the story and – shock, horror – cast men as swans, the production was attended by lurid publicity about affronted traditionalists and a wailing and gnashing of teeth among the ballet public. What we saw then, and what we see now that the staging has come for a run to the Piccadilly Theatre, where it opened on Wednesday night, is an artful re-thinking of the old classic, in choreography rather less artful.

Bourne has been busy over the past few years as a revisionist with his Adventures in Motion Pictures troupe, turning *Nutcracker* and *La Sylphide* on their heads and seeing what falls out of their pockets. *Nutcracker* was successful; *La Sylphide* much less so, Bourne-as-producer far outstripping Bourne-as-choreographer. *Swan Lake*, most popular of ballets and one which has been mauled by dozens of ham-fisted producers, was an inevitable choice for him. His re-shaping of the court scenes as a satiric exercise in sending up monarchy and its worst trappings of false reverence and hypocrisy, is broad, but in the light of recent events, apt enough. His Prince (Scott Ambler) seeks escape from dull duties, from dominant mother and malign secretary, and a swan intensely symbolises this freedom for him.

Where Bourne reaches his imaginative best as producer is in the most daring aspect of the staging – the casting of male dancers as swans. Swans are powerful, uncertain-tempered birds and the traditional view of legions of feathered girls is unlikely, albeit one dictated by balletic forces a hundred years ago. Bourne's men look like swans, with bare torsos, feathered breeches, and a black "V" of make-up on their brows. He does not move them well, and it is Adam Cooper as their leader (the *ci-devant* Odette) who persuades us of the emotional truth of the impersonation. Cooper, from the Royal Ballet, is a tremendous dance-actor, and is a vision of liberty for the hapless Prince he convinces utterly.

Theirs is not, thanks to Bourne's controlled imagery and to Cooper's rare artistry, a homosexual relationship. The swans are oddly sexless, and when Cooper appears as the Black Swan at the third act ball – a brutish incarnation of erotic force – his activities are as blatantly heterosexual as they are destructive.

Bourne's sense of the tragic, his response to Tchaikovsky's saturated emotionalism, is at its best in the final scene when the Prince has been driven to madness. (The resonances with MacMillan's *Mayerling*, which is itself an inversion of *Swan Lake's* love-in-death theme, are loud and clear throughout.) The swans turn on the prince and on Cooper and kill them. Bourne makes for authentically tragic theatre here, reminding us of what all stagings of *Swan Lake* should be, and so rarely are.

The production is glossy, AMP's artists are fine, and the score is well played, in a sensitive editing, by the New London Orchestra under David Frame. But how curious the evening is. Not since 1921, when Diaghilev brought an opulent *Sleeping Princess* to the Alhambra Theatre has a single ballet played for a season in the West End. The magic of *Swan Lake* as title is some box-office guarantee, and the suggestion of something mocking and an implicit homo-erotic frisson about men-as-swans, may well lure a public. That Bourne's version makes crude fun of traditional classicism (of which the real *Swan Lake* is an icon) in a cod ballet scene set to the first act pas de trois is rather more disturbing.

Swan Lake is in bad shape on our stages: I cannot think of one local ballerina able to perform Odette/Odile in the grand manner, nor do our productions make sense of the old ballet. Bourne's revision, to judge by its success, represents what the public wants of this masterpiece: jokes and shocks and a whiff of tragedy. The real tragedy is about ballet itself, and has to do with the fate of *Swan Lake* in our time.

A note in passing: this production has been filmed by BBC2 and will probably be on the TV screen at the end of the year.

Theatre at Salzburg/**David Murray**

Visual wit – and long silences

From the outset drama has been important for the Salzburg Festival. The *Jedermann* ("Everyman") that Hofmannsthal wrote for it is still reverently performed every summer – indeed, that is the only Salzburg production that very many Austrians have seen, except on television. Many other famous stagings have been mounted there, of German classics and sometimes of Shakespeare, and many a new play from distinguished Austrian or German authors.

We foreigners tend to miss that side of the festival, except when an English-language troupe has been invited (such as the National Theatre's *Richard II* with Fiona Shaw this year). Hence the widespread belief that it was Peter Brook who first thought of doubling Oberon/Theseus and Titania/Hippolyta, when a superbly imaginative, faithful Salzburg staging of *Ein Sommernachtstraum* had pre-empted him by a year or two.

I saw *Ein Sommernachtstraum* again there last week. Again in the classic 19th-century Schlegel translation, which remains an exemplar of self-effacing clarity and sympathy (granted some inevitable simplification – German is too "pure" a language to enjoy the bastard riches of English, drawn promiscuously from both Teuton and Latin roots); but with Leander Haussmann's staging post-modernism had set in.

Much of his show was disarmingly funny. Beyond its patchy, scatty trappings, which looked like doctrinaire "poor theatre" in the yawning spaces of the Felsenreitschule, it revelled in eclectic visual jokes, and the Mechanicals got ripe Teutonic character-turns in Marx Bros. style. It continued for more than three-and-a-half hours – like Robert Lepage's recent National Theatre production in a lake of mud; but without any matching gestures toward the "dark" vein of the comedy. The lovers soon became slapstick foils, the text a mere springboard for happy-go-lucky inventions.

I saw also Peter Stein's classy production of *Der Kirschgarten*, Chekhov's "Cherry Orchard", which is down for Edinburgh next year. Jutta Lampe's Madame Ranyevskaya (uncommonly youngish and sober, though in the party-act we suddenly saw how magnetic her public *persona* could be) leads a fine cast. So many details of their characters are winkled out that the show again takes three-and-a-half hours, with a single interval while the Act 3 party gets underway onstage, with an ethnic-Jewish band and a host of supernumeraries. Nowadays Stein commands enviable budgets.

In the final act, when the luggage is packed and waiting (and a whole regiment of lumbermen is heard chopping down the orchard), Ranyevskaya suggests that everybody should sit down for a bit. There follows a still, interminable silence. We are plainly meant to reflect upon what the departure means to all these people, who in discreet ways keep acting away like mad; but after the first minute or so somebody behind me muttered "Zu viel!" and I silently agreed.

It *is* too much, so exquisitely self-conscious and stagey as to distance us fatally. Even the unhappy winner Lopekhin's aborted proposal to poor Varya (Daniel Friedrich and Dörte Lyssewski respectively) registered here as a farcical misfire, rather than a numb disaster. At the end, the old servant Firs (Branko Samarowski, prickly and semi-comatose at once) was allowed to make an indulgent meal of his death-scene.

It was risky of the programme to reprint Chekhov's angry comment on Stanislavski's first staging of the play: that Act 4, which should have taken 12 minutes (Chekhov was pardonably exaggerating – it can't be played *quite* that fast), lasted an unpardonably gloomy 40. So does Stein's! For all its bright illuminations of characters and dilemmas, this *Kirschgarten* remains a monumental, artfully carved replica rather than a live revelation.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● City of Birmingham Symphony Orchestra: with conductor Sir Simon Rattle perform works by Messiaen and Bruckner; 8.15pm; Sep 15

■ ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-7282333
● Harmonia Nova Orchestra: with conductor Stavros Xarchakos, mezzo-soprano Lucile Vignon, guitarists Aniello Desiderio and José-Maria Gallardo del Rey, narrator Isabel Aylicar and the Fons Musicalis Choir perform Xarchakos' Lyric Tragedy; 9pm; Sep 14, 15

■ BELFAST

OPERA
The Grand Opera House Tel: 44-1232-240 411
● La Traviata: by Verdi. Conducted by Martin André and performed by the Ulster Orchestra and the Chorus of Opera Northern Ireland. Soloists include Rebecca Caine, Richard Coxon, David Barrell and Glenville Hargreaves; 7.30pm; Sep 15, 17

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Back to The Golden Twenties: featuring the Palast Orchester Berlin, Pasadena Roof Orchestra London, Original Prague Syncopated Orchestra Prague and Duo Schall and Hauch Berlin; 7.30pm; Sep 16, 17
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Deutsches Symphonie-Orchester Berlin: with conductor Marek Janowski, pianist Hélène Grimaud and the Berliner Singakademie perform works by Messiaen, Debussy and Ravel; 8pm; Sep 14, 15

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Faust (Margarethe): by Gounod. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Adina Nitescu, Ulrike Helzel and Marcus Haddock; 7pm; Sep 15
Staatsoper Unter den Linden Tel: 49-30-20354438
● Die Zauberflöte: by Mozart. Conducted by Sebastian Weigle and performed by the Staatsoper Unter den Linden. Soloists include Aikin, Kiberg, Eisenfeld and Vogel; 7pm; Sep 14, 15 (4pm)

■ BRUSSELS

CONCERT
Théâtre Royal de la Monnaie Tel: 32-2-2291200
● Symphony Orchestra of the Munt: with conductor Antonio Pappano and mezzo-soprano Susan Graham perform works by Bartók, Berlioz and Sibelius. Part of the Festival van Vlaanderen; 8pm; Sep 15

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductor Hans Vonk perform works by Zimmerman and R. Schumann; 8pm; Sep 14

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Tivolis Symfoniorkester: with conductor Henrik Vagn Christensen perform works by Hanssen, Alfven, Nielsen, Reesen, Lumbye, J. Strauss and Andersson; 7.30pm; Sep 15

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Orchestra of St Cecilia: with conductor Aidan Faughey, soprano Alison Roddy, tenor Louis Browne and pianist Patrick Healy perform Italian and Neapolitan songs and arias; 8pm; Sep 14

■ FRANKFURT AM MAIN

OPERA
Städtische Bühnen Oper, Ballet, Schauspiel Tel: 49-69-21237444
● Le Nozze di Figaro: by Mozart. Conducted by Mathis Dulack, performed by the Oper Frankfurt. Soloists include Dale Duesing, Petra Maria Schnitzer and Cassandre Berthon; 7pm; Sep 15

■ HAMBURG

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● Don Giovanni: by Mozart. Conducted by Bernhard Klee and performed by the Staatsoper Hamburg. Soloists include Orgonasova, Gustafson and Rossmanith; 6pm; Sep 15

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Skampa Quartet: perform works by Ravel and Haydn; 11.30am; Sep 15

OPERA
Royal Opera House – Covent Garden Tel: 44-171-2129234
● La Bohème: by Puccini. Conducted by Charles Mackerras and performed by the Royal Opera. Soloists include Amanda Roocroft, Elizabeth Futral, Luis Lima and William Shimell; 7.30pm; Sep 14, 17, 19
● La Bohème: by Puccini. Conducted by Jan Latham-Koenig and performed by the Royal Opera. Soloists include Leontina Vaduva, Cynthia Lawrence, Richard Leech and Jason Howard; 7.30pm; Sep 16, 18

■ LOS ANGELES

EXHIBITION
Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
● Arthur, King of Britain: exhibition of manuscripts, rare books and illustrative material tracing the development of the Arthurian legend as conceived and passed down from the Middle Ages to the 20th century; to Oct 6.

■ NEW YORK

EXHIBITION
MOMA – Museum of Modern Art, New York Tel: 1-212-708-9400
● Picasso and Portraiture. Representation and Transformation: exhibition surveying the portrait work of Pablo Picasso (1881-1973); to Sep 17

OPERA
New York State Theater Tel: 1-212-875-5570
● La Bohème: by Puccini. Conducted by Robert Duerr and performed by New York City Opera. Soloists include Cassandra Riddle, Jane Thorngren, Stephen Mark Brown, Robert Perry, Dong Jian Gong and Rosendo Flores; 1.30pm; Sep 14

■ THE HAGUE

CONCERT
Dr Anton Philipszaal Tel: 31-70-3607927
● The Amsterdam Baroque Orchestra and Choir: with conductor Ton Koopman, soprano Elzbita Szmytka, alto Elisabeth von Magnus, tenor Paul Agnew and bass Klaus Mertens perform J.S. Bach's Lasst uns sorgen, lasst uns wachen, BWV213 and Zerreiset, Zersprenget, Zertrümmert die Gruft, BWV205; 8.15pm; Sep 15

■ WASHINGTON

OPERA
Terrace Theater Tel: 1-202-467 4600
● Lan Ying: the world premiere of this opera in three acts by An-Ming Wang. Conducted by Martin Piecuch and performed by the Asian American Music Society Orchestra and Men's Choir, and The Korean Dance Company. Soloists include Mira Yang, Eva Nagorka, Joseph Song, Steve Wellman and Michael Consoli; 7.30pm; Sep 14

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10.00
European Money Wheel

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Financial Times Business Tonight

Philip Stephens

Art of the possible

Tony Blair is right not to make rash election promises, but will face hard decisions if Labour wins power in the UK

Occasionally, the obvious bears repetition. The most corrosive tension in politics is that between what is promised and what is achievable, between what is offered to win elections and what is deliverable in government. There has always been a divide. In the past decade or so it has widened to a chasm.

Politicians have been reluctant to acknowledge the ebbing of their influence. Promises are washed away by the tide of change, but the grand pretensions are jealously guarded. Global markets, fast-shifting political sands and technological advance all demand a certain humility. But our leaders are not made like that. Power is their *raison d'être*. So it should be no surprise that across the industrialised world they have lost the trust of their electorates, that cynicism has displaced confidence.

Governments can still make a difference. Glib fashion tells us that power now rests solely in the hands of the bond markets or in the investment choices of multinational corporations. But the uniformity demanded by globalisation is exaggerated. There are still plenty of important choices to be made by elected politicians, although the constraints have changed. Often, they are tighter. Just as frequently, they merely bite in different places. Politicians need to recalibrate their ambitions, not abandon them.

The tension has been most acute on the centre-left of politics. Those who once saw the state as a unique instrument of change have found it hardest to admit that many of the old levers of power no longer work. Bill Clinton has learned the lesson the hard way. The first two years of his presidency were buried by broken promises. His political resurrection has been built on pragmatism. Mr Clinton still makes pledges. Far too many. But they are smaller promises. Incrementalism has replaced radicalism. American voters now seem prepared to give him the benefit of the doubt.

On the other side of the Atlantic, Britain's Tony Blair has been trying hard to teach his party the same lesson. Since 1979, successive Conservative governments have broken more promises than most of us have made. But their hold on power has been safeguarded by Labour's flight from reality. However fanciful the Conservatives' pledges have seemed (remember the promise in 1992 of tax cuts year-by-year), they have kept in closer touch with perceptions of the possible.

So the central message of Mr Blair's leadership has been that Labour will only promise in opposition what it can deliver in government. In his words: "When we make a promise, we must be sure we can keep it. That is page one, line one of a new contract between government and citizen." This realignment of aspirations with reality provides the central thread for some three dozen speeches and articles which Mr Blair has pulled together in a book published to coincide with the start of the political conference season. Strip out the irritating soundbites (I am still not sure whether I want to live in a "young country"), and the book charts the startling 180-degree turn through which he has taken Labour during the past two years.

Those who saw the state as an instrument of change have found it hardest to admit that many of the old levers of power no longer work

The Mais lecture, delivered in 1995, reminds us that Mr Blair has torn up the foundations upon which every postwar Labour administration built its economic policy. No more crude demand management, no more risks with inflation, no more state direction or corporatist intervention. Most importantly, no more reliance on higher spending and taxes. As Mr Blair puts it, "the debate over taxation and spending has to recognise a much narrower range of options than before". Competitive international markets demand low inflation, low tax rates, and rewards for innovation.

The same hard-edged message comes through on welfare and social policy. High spending on social security benefits is an admission of failure rather than success. Organised labour must have a voice but its interests must be balanced against those of others. Social liberalism should not be at the expense of individual responsibility or of respect for the family. Society exists for the good of the individual rather than vice versa. And in Mr Blair's scheme, equality of opportunity takes the place of egalitarian dreams.

So far so good. But owning up is not enough. Mr Blair insists that even within these constraints there is a big idea for the centre left. The market must be respected, but it is not omnipotent. The nation can only prosper economically and socially if it is inclusive, if it harnesses the talents of all. To be fair, he also offers plenty of clues to the policies he might pursue in government. It is a pity, for example, that more in his party have still not grasped the point that the best way to lever up the living standards of the poor is radically to improve educational opportunities.

That said, the analysis remains stronger than the prescription. Resetting Labour's ideological compass was a vital step, but Mr Blair is less convincing on the small print. He leaves a suspicion that he has yet to confront the hard detail of government. It is easy to expose the lunacies of a welfare system which taxes the low-paid at marginal rates of 80 per cent or 90 per cent, much harder to find an inexpensive way out of the tax-benefit maze.

Tax breaks for saving, investment, or research and development sound like an ideal basis for a closer partnership between government and industry – until, that is, you look closely at the perilously thin line between incentives and loopholes.

Mr Blair's answer (though it is not offered in this book) is that such decisions are for government. He has an election to win, the most important his party has ever fought. He cannot offer an unsympathetic press too many hostages to fortune.

Yet a victorious Mr Blair would have to make his hard decisions at the outset. It will not be long before the spending demands flood in, before events push a Labour administration in unwelcome directions. He need only look at his party's recent contortions over Scottish devolution and public sector strikes to see the devil in the detail.

The Labour leader is right to admit there are no quick fixes. But, if he is to be radical and safe, he cannot leave it at that.

New Britain. My Vision of a Young Country. Tony Blair. Fourth Estate, £8.99

Most of gold looted by Nazis did not remain in Switzerland

From Mr Harold James.

Sir, You are absolutely right to say ("Nazi gold", September 11) that the question of looted Nazi gold is "a moral question", but the Foreign Office report draws a seriously flawed conclusion in claiming that Swiss banks "may hold 90 per cent of war hoard". It is clear from the file in Bern detailing the Reichsbank's account at the Swiss National Bank (kept in an archive which was open to me, and I think to any researcher) that Switzerland did indeed take some $400m in gold from Germany in the course of the war. Though the Swiss argued rather speciously that they were obliged to take gold from another central bank because of the rules of the gold standard, the National Bank's managers also knew of the illegal origins of at least some of this gold. Their behaviour was doubtless amoral.

However, the records of the account show that most of this money did not stay in Switzerland or in Swiss bank accounts. It was used almost immediately to pay on the German account for imports of strategic goods to Germany, especially from Yugoslavia (right up to the German invasion), Romania, and Portugal, where the central bank in turn was used to make payments for imports of wolfram and industrial diamonds from Latin America. Switzerland did indeed play a quite central role in the financing of Germany's war effort, but most of the looted gold did not end its journey there.

Harold James,
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Head and shoulders above the others

From Mr Robert L. Payton.

Sir, Joe Rogaly says in his article "Blair's White House envy" (September 7/8): "No thread of enduring principle can be discerned in Mr Clinton's track record. He signed away 60-year-old welfare provisions for the poorest citizens – then, to soothe the left, intimated that be would repair at least some of the damage if re-elected."

Mr Clinton's footwork is like all other feinting and jabbing in a tough match – perhaps not always stylish, but often effective. If he manages to disable the Republican right we will indeed again have a chance to reform welfare responsibly. The thing we have to allow is the possibility of further progress. First, frustrating the extreme right; second, moving toward the middle; third, perhaps, moving toward a moderate, pragmatic liberalism to reverse the recent trend toward a ruthless and ideological conservatism.

For one disenchanted neo-conservative, Clinton seems not rudderless but purposeful, not opportunistic but simply intelligent. I hope a second term inspires him to lead at a higher level, but he's still head and shoulders taller in terms of social responsibility than his opponents.

Robert L. Payton,
1946 Spruce Drive,
Carmel,
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Truly global language

From Selwyn Hodson Pressinger.

Sir, I have been a reader of your excellent newspaper for the past 15 years. It is truly one of the most important ambassadors of English, now the undisputed global language.

Clearly, the increased popularity of English owes much to America's helpful influence as world superpower. The Germanic roots and high proportion of Romance words in English is another advantage. It naturally appeals to those whose mother tongue is either of Romance or Germanic origins. Having relatively simple grammar, and nouns that take no gender, increases its popularity even more.

But why can't we now go one step further – simplify the words with complicated spelling or pronunciation, and be rid of the unnecessary irregularities of English?

Surely an international or Anglo-American forum could be convened to perform this linguistic cosmetic surgery. A truly global language deserves no less.

Selwyn Hodson Pressinger,
17 Place de Reignaux,
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Too many Euro-myths about restrictions on motorcyclists

From Mr Neil Kinnock MEP.

Sir, Mr David Delaney protests (Letters, September 11) against what he calls "European Commission proposals for a raft of new regulations" that would severely affect motorcyclists throughout the European Union, and he purports to give 10 examples to substantiate his argument.

These examples are, however, either completely wrong or refer to only one of the possible outcomes of what is still an open discussion in the Council of Ministers. To set the record straight: there are no Commission proposals to introduce a driving ban on learners who do not pass their test within a two-year period (although bans of this nature exist in many member states, including the UK); to make home maintenance of vehicles illegal; to introduce a stricter MOT of the kind that he alleges; to put an end to tuning (provided the specification does not change from the type approval); or to ban British Standards Institute-approved tinted visors. Of the remaining five examples one is correct – the Commission has proposed the reduction of the motorcycle noise limit to 78 decibels (A). Changes in the other four areas (ban on cheaper after-market spares, interdiction on replacing worn tyres by other than non-original equipment, the introduction of a maximum engine power limit, and effects of EU legislation leading to fewer second-hand parts dealers) would depend entirely on the outcome of discussions in the relevant Ministers' Council. Those discussions are certainly not concluded.

I'm sorry if the 35,000 motorcyclists rallying in Brussels "against the European Commission's proposals" had a wasted journey. Such is the disadvantage of believing in Euro-myths.

Neil Kinnock,
European Commission,
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Belgium

Europa • Emma Bonino

Time to fulfil a pledge

Aid is one area where steps could be taken to lift Europe's profile in global affairs

Emma Bonino: it is too long since the Petersberg pledge

The recent Iraqi crisis has again shown that when it comes to world affairs, the European Union has no independent existence in foreign policy terms.

Think also of the crises in Rwanda and Burundi: each of the 15 capitals went its own way. Think of the Middle East peace process: the same. And the same is true in matters from the wars in the former Yugoslavia to the disputes between Greece and Turkey in the Aegean.

It is hardly surprising that public opinion thinks the much-touted common foreign and security policy is pie in the sky. Grand schemes and serious proposals abound for establishing a coherent common foreign and security policy – including those from the European Commission. I hope the intergovernmental conference will eventually take them on board.

Meanwhile, there are steps that could be taken to raise the profile of the EU in global affairs – even with the present institutional framework. They could also save some money.

Here is my modest proposal. The European Community Humanitarian Office (Echo), for which I am responsible, has aid programmes in 60 different countries. They all lie outside the present EU borders, in places such as North Korea, Zaire or Nicaragua.

Such a far-flung effort entails considerable transport costs. Out of every six Ecus spent on humanitarian aid, one goes to pay the relief workers, four to buy relief goods such as food and one to moving these goods to where they are needed.

Thus, transport absorbed slightly less than Ecu100m, or $120m, in 1995 – roughly the cost in the past six months of the EU's humanitarian aid to Bosnia.

Natural and man-made disasters show no sign of abating, while resources to cope with them have probably reached the upper limit of what donor countries, rightly or wrongly, deem affordable. If there were some means of delivering EU aid free of charge, it would release $120m a year which would greatly increase the outreach and the effectiveness of relief efforts.

This opportunity exists. It has been on the table since June 1992, when the Western European Union (WEU) agreed in Petersberg, near Bonn in Germany, to take a role in "humanitarian and rescue tasks".

It took three-and-a-half years to translate this pledge into action. In June the Berlin Nato summit increased the WEU potential in the humanitarian field by releasing Nato assets for WEU-led operations.

The WEU humanitarian taskforce is designed to respond to assistance calls from a variety of bodies, including the United Nations Security Council and the Organisation for Security and Co-operation in Europe. But a "leading role" is seen for the European Union – in other words, the WEU sees its humanitarian taskforce as primarily geared to the support of EU missions.

It is important to bear in mind, however, that "humanitarian operation" has a rather broad meaning in WEU parlance. It includes military missions such as the deployment of armed units to provide protection and security to refugees and relief workers. There are two reasons why the WEU contribution to European Union humanitarian undertakings should be limited to non-military logistical tasks.

First, to use WEU armed units for EU relief operations could be seen as moving from the "soft" security policies allowed by the Maastricht treaty to the "hard" defence policies which are planned "in time". This might be seen as prejudging what the intergovernmental conference will decide on this matter.

The UK, for example, is known to favour the status quo and would probably oppose any such move. On the other hand, the UK has played a leading role in giving substance to the Petersberg pledge on humanitarian tasks inside the WEU – perhaps as a counterweight to other members' stronger defence ambitions.

Whatever the reasons, however, London strongly supports the idea of a WEU humanitarian taskforce that would provide "specialised logistic assets such as transport, engineering and communications". This much, then, seems politically uncontroversial.

A second objection to a large military role for the WEU comes from relief workers. The European Union does not in practice provide any direct humanitarian aid. It uses UN agencies, the Red Cross and non-governmental organisations in the field. All consider it essential that the provision of aid be seen in recipient countries as neutral and apolitical.

Echo shares this goal. And although security is often a problem in many conflict areas, the presence of armed troops from the donor countries may compromise their neutral image. These are good reasons to limit the role of the WEU in Echo-sponsored humanitarian operations essentially to transport, engineering (such as mine-clearing) and, possibly, communications.

To put it differently, I do not see why anybody should object to having relief goods delivered by a military carrier rather than by a civilian one – provided that other agencies and non-governmental organisations continue to be in charge of distributing it.

Who would pay for this logistic support? If WEU member states paid for it out of their defence budgets, it would free $120m of Echo resources now tied up in transport. But even if the WEU insisted on some refund, the idea would still be worth pursuing.

First, rather than going to the private sector, often outside the Union, this money would help the public finances of several deficit-prone WEU member states. Second, it would help raise the profile of Europe's institutions and their capability to act together in a manner acceptable to all and for aims shared by all.

Four years have passed since the Petersberg pledge. That is long enough. If the pledge cannot be carried out now, when will it happen?

The author is EU commissioner for humanitarian aid

FINANCIAL TIMES
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Friday September 13 1996

Bosnia casts its vote

For anyone who took the Dayton peace accords at face value, tomorrow's election is the centrepiece of a huge international effort to reunite Bosnia. By now, indicted war criminals should have been arrested and sent to the Hague; refugees should have returned to rebuild their homes; and political parties should have been able to campaign on equal terms across the country, under the scrutiny of independent media.

None of those things has happened, because those who wield power in different parts of the country do not want them to happen: neither the Serb Democratic Party (SDS), nor the Croatian Democratic Union (HDZ), nor even President Alija Izetbegovic's Party of Democratic Action (SDA). The latter does in theory favour a united, polyethnic Bosnia, but the Moslem community it represents has now been forced by war and ethnic cleansing into a more or less compact territory. The SDA's priority is clearly to consolidate its hold on that territory, though so far it has used a lighter touch than its Serb and Croat counterparts.

Truly free and fair elections could only have been held if the international community had been willing to use Ifor, the large and heavily armed force it has deployed in Bosnia, to override the ruling parties' wishes. But it was not willing. Ifor did a good job in separating the warring parties but has not challenged their control in their separate fiefs. It is allowed to use force only in its own defence. More people have been expelled since Dayton than have returned home, and hardly any have returned to areas where they would be in a minority.

In a free and fair election, the nationalist parties which led their communities into this disastrous war would surely be punished by them now. As it is, there is little chance of that. Many Serbs and Croats have been terrorised into believing they are only safe in their own state, defended by their own militia. In the Serb-controlled territory, indeed, the choice is effectively between the SDS and the allies of President Slobodan Milosevic of Serbia, whom many Serbs justly blame for starting the whole nationalist frenzy and then leaving them to suffer the consequences.

In the Moslem-Croat federation there is a non-sectarian alternative, one of whose leaders, Mr Selim Beslagic, has preserved his city of Tuzla as a beacon of tolerance and civilisation throughout the war. But most Moslems will feel they must support the SDA to maintain a united front against Serb and Croat pressure.

Mr Carl Bildt, the international "High Representative", will have the thankless task of persuading nationalist leaders emboldened by new electoral mandates to work together in a flimsy central government. The danger that deadlock will quickly be reached, and that parties will again seek by force what they cannot win by argument, is all too real. The most obvious casus belli is Brcko, whose fate is to be arbitrated by December 14. Serbs are no more willing to renounce possession of the town than Moslems to abandon their claim to it.

Genuine peace in Bosnia is still far off. An external peace-keeping force will be needed well after Ifor's mandate expires in mid-December.

The British beef

The UK cabinet was forced yesterday to confront the results of its gross mishandling of the dispute with the EU about BSE, or mad cow disease.

By its bungled announcement earlier this year that the disease might possibly infect humans, its refusal to co-operate with EU procedures in the early summer, and its dithering about how many animals should be slaughtered, the government infuriated its European partners.

Moreover, its petulant and indecisive strategy has failed. Britain's populist Europhobes were not appeased. The EU's export ban was not lifted and the UK has been left with a questionable commitment to make a selective cull of 125,000 cattle.

Since the UK has squandered so much goodwill and shown so little understanding of consumer pressures in other countries, its options are now limited.

European agriculture ministers, whose next meeting is on Monday, are not expected to lift the export ban in November, whether or not the UK agrees to continue with its policy of selectively culling in addition to the continuing slaughter of all cattle aged more than 30 months.

Even if the ban were lifted, the UK's exporting opportunities would be severely limited by the collapse of consumers' confidence elsewhere in the EU. One reason for this is that only a small part of British exports consisted of prime grass-fed beef, which is free of the disease. The larger part was lower quality meat, much of it processed and from dairy cows, which are more suspect.

There were welcome signs yesterday that the UK government is moving to a more pragmatic position and may drop its insistence that the ban should be lifted in November. Having agreed the selective cull with its partners, the UK may now find it embarrassing to withdraw from that commitment.

However, both sides should now consider with their experts whether it really is worth spending £180m on a selective cull which might catch only about 1,500 diseased animals. The cost – more than £10,000 for each case of BSE eradicated – might be applied more effectively to other measures such as hygiene, though this is hardly the stuff of high political drama.

Belatedly, the UK government seems have seen the sense of this. Now it must convince its partners that it will talk sense as well.

Polish promise

By calling for Poland to join the European Union by 2000, President Jacques Chirac of France has made a leap into the camp of EU members, hitherto dominated by Germany, that want enlargement to be as swift as possible.

Mr Chirac's speech in Warsaw will be warmly welcomed if it signals a more flexible French attitude to issues like farm policy reform and the dismantling of trade barriers, which are most likely to delay expansion. His hosts will be pleased by this latest sign that six years of effort to groom their economy and adapt their legislation to EU norms are bearing fruit.

But Mr Chirac raised more questions than he answered by his dismissal of more cautious forecasts, such as the European Commission's estimate of 2002 as the earliest conceivable date for eastward expansion. Its view is based on hard realities. On the (very optimistic) assumption that the inter-governmental conference on EU reform comes to an early and successful conclusion, entry talks with an undetermined number of states should start in late 1997. Past experience would suggest that the negotiations will take two or three years at least, and ratification another 18 months.

Even this timetable takes it for granted that the EU's 15 members will solve their internal disputes about farming and the budget.

With enough political will, it is possible and highly desirable that the process will be speeded up. But if they are to be convincing, advocates of such an acceleration need to give some indication of how big a political, and indeed economic, price they are prepared to pay. Mr Chirac, in particular, should spell out which European Union it is that Poland is being invited to join.

It would be unrealistic to expect Poland to become an early member of the EU's inner core, probably consisting of founders of an economic and monetary union. Equally, it would be wrong to consign Poland to a remote outer circle – involving solely common action in foreign and home affairs. In any case, the latter approach will not wash in Poland, which has already given short shrift to suggestions of this kind from German politicians.

Mr Chirac has taken a welcome stride in advancing the cause of enlargement. He should now make clear that he has also considered the consequences of his argument.

A qualified success

Jim Kelly on the difficulties facing the leading accountancy firms which now dominate the market for big company audits

A change of auditor often produces significant cost savings for large companies in what has become a fiercely competitive market. But the decision last week by Smiths Industries, the UK aerospace and equipment maker, to move its audit reflects a growing trend among internationally-minded companies.

Smiths has been audited by the medium-sized firm of Clark Whitehill since 1922. But as a company with global ambitions, it wanted an auditor to match – and it has turned to Price Waterhouse, its US auditor and the sixth biggest accountancy firm, in a move it believes will cut costs by a third.

"The issue for Clark Whitehill was global reach," says a leading audit partner with one of the giant firms. "While not all big companies are truly international, let alone global, it was inevitable that a company like Smiths would want a Big Six firm."

In the mid-1960s about 40 per cent of the top 100 UK companies were audited by what were then the Big Eight accountancy firms. If Smiths' decision is approved by the shareholders, every company in the FT-SE 100 will have an auditor from one of the giant Big Six accountancy firms.

The same trend has long been seen in the US, where 85 per cent of companies in the Fortune 500 are audited by one of the Big Six. Just 6 per cent say they are audited by a smaller firm – with another 9 per cent not disclosing their auditor.

There is little that can apparently reverse the domination of big company audits by the largest accountancy firms. But it brings challenges some auditors are struggling to meet. And paradoxically, it is exposing weaknesses in the Big Six which create new opportunities for smaller firms now excluded from the biggest audits.

It is the desire for a global service which attracts large companies with substantial international interests to the large auditors. The switch to a Big Six auditor is often also a signal to shareholders and analysts where corporate ambitions lie.

But none of the Big Six is in reality a single global firm. Andersen Worldwide, which comes closest, is in fact two organisations: Arthur Andersen, the accountants, and Andersen Consulting. Most of the others are federations of partnerships and audit companies, trading under a global brand name – in some cases little more than franchises.

Offering an international service thus means finding a way to share profits among partners which encourages them to work as an efficient global team. "The big problem is profit," says one partner in a Big Six firm. "To tackle the issues of risk we are increasingly trying to create a shared economic interest."

The reality becomes plain if things go wrong. When Barings collapsed after losses of more than £800m were run up by a rogue trader in its Singapore operation, arguments broke out about where responsibility for spotting such activities lay. It was always made plain that auditors at Coopers & Lybrand in London and those at Coopers & Lybrand in Singapore worked for separate firms.

The possibility of audit liability crossing borders is a big factor in holding back real globalisation. While the Big Six are happy to trade on global brand names in the good times the reality of shared responsibility is still a long way off when it comes to the bad.

This lack of shared economic interest in rewards and risks brings two problems. Poor co-ordination between far-flung offices can leave the audit client with the costs of sorting out problems – or even disputes. One Big Six auditor has two of its national firms in dispute over the handling of a large European client.

Meanwhile, the auditors of consolidated accounts have to bring together separate national audits, sometimes prepared under different regulations and standards. The risks are compounded when the global audit is shared with a local auditor in a distant – perhaps poorly regulated – country.

"Imagine if this global business involves derivatives trading," says a senior international accountant with one of the Big Six firms. "Then you are auditing nothing. There is a hole in the side of the bucket so big you can't audit the bucket."

As a result the Big Six are trying hard to find ways of binding national firms more closely together. "The challenge is getting reality to live up to the global branding," says one partner.

Andersens led the way by creating two genuine global firms which it may soon further sub-divide on a global basis. Price Waterhouse has a common profit-sharing mechanism for its European firms. Deloitte & Touche recently combined its UK and US consultancies into a single firm.

There is a further problem which can make it difficult to judge risk across borders – a lack of talent on the ground to do the job to a high quality. Andersens tries to overcome the problem by insisting that all partners are trained at its central school in St Charles, a small town near Chicago.

This rigid approach has led to its staff being characterised as "robots" by competitors. But others, such as Coopers & Lybrand, have followed suit with international training programmes for partners.

Most of the large firms use staff from western countries to raise quality in newer markets. But while audit teams can be "bussed" across borders, it often takes indigenous staff to spot fraud and potential fraudsters. This has been a particular problem in the accountancy firms' "new frontier" of the former Soviet Union.

And it can be slow to train indigenous staff to common standards and rules – a significant problem in Japan where UK and US auditors complain about poor domestic attitudes to international auditing standards. Attempting to "indigenise" a firm too quickly can be an expensive misjudgment.

One solution is to poach staff from other Big Six firms in quickly developing markets. At the end of last year 90 members of Coopers' Spanish consultancy – including five partners specialising in information technology and human resources – switched to Ernst & Young. Similar "dawn raids" are becoming more common as the skills shortage bites.

Most of the Big Six would privately admit they are struggling to make a reality of their global branding in audit. At the same time, hopes are waning that operating as a global auditor will bring lucrative opportunities to sell other services to clients, such as advice on acquisitions or [illegible] national tax consultancy.

"In reality at a global level all other services are put out to tender," says a senior partner at a Big Six firm. "This is a fiercely competitive sector where we run into the other accountancy firms, merchant banks, big law practices and specialist consultancies."

So while securing a global audit may offer an introduction to international companies, it is far from being a passport to lucrative global consultancy fees.

Meanwhile, increasing competition among the Big Six for audit business is depressing fees. Annual research by JDH Consultants, eagerly watched by the finance directors, shows 10 per cent can be cut from fees simply by threatening the auditor with a competitive tender.

And another consequence of global status is that the Big Six can find themselves cut out of lucrative work because of potential conflicts of interest. This week, for example, Deloitte & Touche found its appointment as investigating accountants in the Morgan Grenfell affair under threat from a tenuous link to an overseas client.

Further consolidation among the Big Six would reduce the number of global auditors to five or four, increasing such problems. Paradoxically, this provides an opportunity for medium-sized firms to pick up business.

A good example is Lee Allen, a breakaway firm of fraud and forensic accountants formed last year by two former partners at Price Waterhouse. They said they had found it increasingly difficult to get work from inside a Big Six firm which was often already involved in the companies needing their services.

Elsewhere in the medium tier there are increasing signs of niche marketing. While each firm is careful not to become too specialised, many boast strong specialisms. Smith & Williamson offers investment management and private banking as well as accountancy. Buzzacotts has a range of special services for the charities it audits. Stoy Hayward has expertise in property and entertainment, Chantrey Vellacott in tax work and advice to grant-maintained schools, and so on.

This kind of work is particularly valuable for many medium-sized firms, providing work for staff during downturns in their core business of auditing and advising growing and owner-managed companies. Such clients are often more interested in a "one-stop shop" service since they turn to auditors for general business advice.

Medium-tier auditors expect to see consolidation in the next few years to match that among the Big Six. Several firms which have [illegible]

Firm	
[illegible]	[illegible]
KPMG	[illegible]
[illegible]	[illegible]
Coopers & Lybrand	[illegible]
[illegible]	[illegible]
Price Waterhouse	[illegible]

· O B S E R V E R ·

Hair-raising prospect

■ Will Ross Perot stop at nothing to improve his chances of moving next spring into the Executive Mansion?

Having courted several fine, upstanding members of Congress to join him on the '96 presidential ticket, he's ended up with the deeply unimpressive Pat Choate. His new best buddie may well prove the perfect soul-mate because of their shared antagonism towards trade treaties.

But no one seems to be pointing out that Choate proudly sports one of Perot's phobias all over his face – the most splendid facial growth ever cultivated in Oklahoma.

This characteristic would not so long ago have had him thrown off the premises at Electronic Data Systems, the business which the paramilitary-style Perot founded and eventually sold to General Motors for £1.4bn.

Perot detests beards, the weirdos who wear them and the shabby individualism they stand for. In the 1992 election, he was teasingly asked whether as president he would extend the EDS regime across US government, banning beards and moustaches in the civil service.

Perot has not issued – as far as we are aware – a policy statement declaring his new toleration for hairiness. If he actually reaches the Oval Office – about as likely as bearded life being discovered on Mars – will facial hair become compulsory?

Risorgimeantwell

■ Italy today resembles nothing more closely than an endlessly bickering elderly couple – you think they can't possibly continue living together, but they know that, deep down, they're inseparable.

As if further to stave off the threatened secession by the north of the country, the new minister of culture, ex-journalist Walter Veltroni, is trying to glue the top and bottom halves together by introducing a new mid-week lottery in 1997.

Veltroni estimates that this particular numbers racket will net an annual L200bn, to be siphoned in the direction of propping up creaking edifices – not the Italian state itself, you understand, simply various cultural projects.

Four crumbling monuments have already been selected for restoration. By happy coincidence two are in the south (Melfi Castle and Naples' Albergo dei Poveri, one of the largest buildings constructed in Europe in the 18th century) and two in the north (part of Milan's Brera museum and Turin's royal hunting lodge).

What would Garibaldi have said? For the champion of Italian unity also loathed lotteries, calling them a "tax on ignorance".

Doom and gloom

■ An extraordinarily dull annual report thumped on to Observer's desk yesterday. Nice glossy cover, but then 200 pages of turgid text with not a single photo to relieve the eye. Even its handful of tables were unimaginatively presented. The work of some boring financial services or manufacturing company, perhaps? Not at all. It's the publication of the CSA – France's audio-visual regulator.

Digging around

■ Hands up if you like the name RTZ-CRA. Bob Wilson, chief executive of the world's biggest mining company, certainly doesn't.

What was done in some haste last December when RTZ and CRA merged will now be undone at leisure. The board would like to change the name as quickly as possible, but it won't be possible until the annual meeting next May.

It's not going to be easy to find a name to please everyone working for RTZ-CRA, which has substantial operations in the US and Australia and its headquarters in [illegible]. Observer hears that many employees favour [illegible] tradition, with a revival of the Rio Tinto name.

One thing's certain: [illegible] called Alphabet Soup, the nickname it's picked up among certain wags [illegible] company.

Kohl-fired media

■ There are still seven weeks to go before Chancellor Helmut Kohl [illegible] Konrad Adenauer's record as Bonn's longest serving post-war chancellor, but Germany's media is already feverish.

He's just made his first appearance in 14 years in power on a TV chat show. In line are two more TV appearances, a book, a photo exhibition and much else besides, all building up to October 31 – his 5,145th day in office. Five years more and he'll even outstrip the 19-year record of Berlin's Otto von Bismarck.

Blunt instrument

■ Interesting to see that Gillette has snapped up battery maker Duracell for $7bn; insiders reckon it was a close shave.

Financial Times 50 years ago

[illegible] Wall Street as well as to the financial districts of London, Paris, Amsterdam and [illegible] "Why did stock prices break so badly in New York?" As in late 1919 or late 1929 and the early [illegible] New York City telephones have rattled [illegible] buzzed with unreliable rumours and what seem to many people unreasonable explanations. Not thinking, people try to explain away the break with "Another war may be in prospect" or "Foreigners are dumping securities." Brokers who follow the tape minute by minute say "The market looked tired." Such explanations may make pleasant and perhaps stimulating luncheon conversation, but they do not get anywhere near the root of what has happened and the why of it.

Drought in Queensland

The Agent-General for Queensland, Mr L.H. Pike, has received information by cablegram from his government indicating that serious conditions prevail over the whole of Queensland, and that all primary industries are adversely affected. The winter grain crops are reported to have failed almost completely. Dairy production has seriously declined and the seasonal outlook is still deteriorating.

FINANCIAL TIMES
Friday September 13 1996

Damages sought in challenge to import ban

Nafta countries may face wave of claims

By Bernard Simon in Toronto

Complaints under a little-noticed section of the North American free trade agreement may have opened the door for aggrieved companies to seek damages against the member governments of the US, Canada and Mexico.

Virginia-based Ethyl Corporation has cited Nafta's "investor-dispute" provisions in a $200m claim against the Canadian government, which is proposing to ban imports of MMT, Ethyl's controversial, octane-enhancing fuel additive.

The legitimacy of the dispute process will not be clear until cases are decided by arbitration panels. However, Mr Barry Appleton, a lawyer representing Ethyl, said: "There are thousands of issues that lend themselves to this sort of process."

Ethyl says Canada's ban would contravene Chapter 11 of Nafta, which requires equal treatment for companies from the three member countries. The company says the ban on imports favours locally produced ethanol, an alternative additive to MMT.

Ottawa wants to ban imports of the substance on health grounds, though there is no ban on its use. Ethyl argues that since it is the sole producer in North America, an import ban would halt its use in Canada.

Mr Appleton, describing Nafta as the broadest international investment agreement in the world, said: "The broad wording of Chapter 11 has the potential to encompass a wide range of claims."

The mechanism for settling such disputes bypasses domestic courts and the binational dispute-settlement process provided under Nafta. Under Chapter 11, there is a 90-day consultation period after which a complaint is referred to binding arbitration by a three-member panel if no settlement has been reached.

Mr Appleton said claims by Canadian and Mexican companies whose US interests are harmed by the Helms-Burton law – which imposes sanctions on foreign companies doing business in Cuba – might also be brought under Chapter 11.

Ethyl is the second company to resort to Chapter 11. Signa, a Mexican drug manufacturer, lodged a complaint this year against what it alleged was unfair protection by Canada of a brand-name antibiotic with a disputed patent.

The formation of an arbitration panel in the Signa dispute has been delayed by an unrelated court case challenging the constitutionality of drug-patent legislation.

Ottawa's proposed ban on MMT imports stems from health concerns and warnings by carmakers that the additive could interfere with monitoring of exhaust emissions.

Los Angeles airport drops seaward expansion plan

By Christopher Parkes in Los Angeles

Los Angeles international airport has abandoned plans to expand seaward to absorb the predicted rapid growth in traffic and must now seek elbow room on the crowded mainland.

A proposal to extend runway and handling facilities out to sea in Santa Monica Bay failed to get beyond the earliest planning stage. It has been scrapped because it would take 10 years to plan, build and put into service – too long, according to the city's Department of Airports.

By the time it was ready, officials feared, rival hubs in San Francisco, Texas, Arizona and Colorado could have milked away business essential for the airport to maintain its share of international and regional traffic and, possibly, to remain profitable. Some 17 per cent of US air cargo passes through the airport.

However, reactions from local politicians suggested that the decision was influenced by pressure from the environmental lobby – which is expected to re-emerge to confront alternative expansion plans due to be announced next month.

The airports department was shocked 18 months ago when it was told it could expect passenger numbers to rise from 54m a year in 1994 to 98m by 2015. The volume of cargo was expected to increase threefold. Both figures were far greater than previous calculations had suggested.

The "ocean concept" was viewed by many engineers and airport officials as the ideal solution. Now the city-owned airport must negotiate with neighbouring local authorities and environmental groups in what promises to be a fraught battle to find space on land.

"Let's not kid ourselves, this decision will have consequences for southern California," said Mr Daniel Garcia, the president of the Airport Commission, the political body that oversees the department. "We are facing a crisis in airport capacity and if we don't deal with it we will see the jobs we owe the next generation going to Colorado, Texas and Illinois."

His statement, aimed at the mustering residential and environmental opposition, predicted that expansion to meet growth forecasts would provide a 20 per cent increase in the number of jobs and a 50 per cent rise in the value of economic activity directly attributable to the airport.

Four possible expansion plans are due to be presented for public debate next month and a definitive plan should be ready for the city council's decision next year.

Intelligent machines 'will take control of our lives'

By Clive Cookson in Birmingham

People will inevitably become the servants of intelligent machines "that have almost complete control of our lives," a gathering of international scientists heard yesterday.

Professor Roland Burns, who heads a research team developing intelligent machines at Plymouth University, UK, predicted that, early in the next century, humanity would be totally dependent on computers at work, home and travelling between the two.

"Before long, every vehicle will be fitted with a Global Positioning System receiver, making its position known to local area traffic management systems," he told the British Association conference in Birmingham, meeting to consider issues on the advancement of science.

"These systems will control traffic lights and diversions to optimise traffic density, and will ultimately have control over the vehicles themselves."

In the home, Prof Burns predicted a financial and stock control system that would automatically order food and groceries when necessary. A dietary supervision system would organise varied daily meals – ensuring everyone ate the right balance of calories and nutrients for his or her age, weight and genetic make-up – and would tell the kitchen system to take food from the fridge or freezer, cook and serve it at the right time.

"The danger is that once we have machines that can reason without emotion, they can outstrip us," he said.

Software faults might cause disastrous malfunctions in the machines on which civilised life depended.

More menacingly, intelligent machines might "decide" that they knew what was best for you – or even what was best for them.

An extreme example of what Prof Burns feared would be the household system deciding that it would be more efficient not to order any more food – and shutting the doors on you.

Another vision was the intelligent fridge that refused to let you have a Mars bar when you sneaked into the kitchen for a midnight snack, because it was unhealthy.

Prof Burns, whose own research group is working on projects ranging from an artificial hand to an intelligent autopilot for ships, said there was probably little that humanity could do to prevent the machines taking over.

"It's more or less inevitable," he said. "Business and science will drive this to the utmost."

THE LEX COLUMN

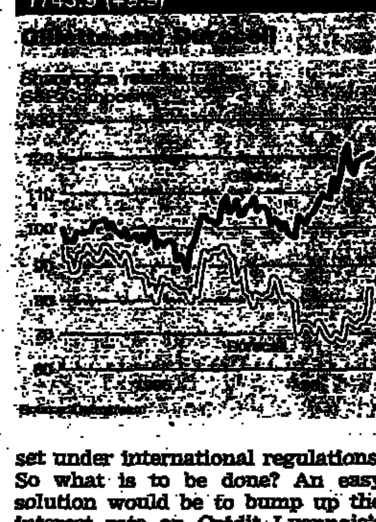
Recharging the batteries

A Duracell battery and a Gillette razor blade serve different purposes. But they have much in common: both command great brand loyalty, allowing their makers to charge customers through the nose; and both are sold in similar stores, typically on racks near the check-out. Hence, Gillette's $7bn takeover of Duracell International looks smart.

Gillette is one of the world's great consumer product companies. It should be able to apply its superior merchandising skills to Duracell, which is also a strong brand but has suffered from poor distribution outside the US. Duracell is only just starting in countries such as China, Russia and Brazil. But Gillette is, as Mr Alfred Zeien, its chairman, puts it, "already in every kiosk up the Amazon river". Pushing Duracell's batteries through Gillette's sales force should push up revenue without adding much to costs.

A price of three times sales does not look cheap, given Duracell's recent disappointing performance. But a restructuring in Europe, the source of the problems, is under way. And since Gillette is using its highly-rated shares, the acquisition will enhance earnings, even before estimated annual cost savings of over $100m. Add in the boost to revenues and the deal should lift Gillette's earnings growth from just below to comfortably above 20 per cent a year. That should satisfy even Gillette's most demanding investor, Mr Warren Buffett.

FT-SE Eurotrack 200: 1746.9 (+9.9)



Crédit Lyonnais

Another year, another Crédit Lyonnais bail-out. That, at least, is what the Paris rumour mill is suggesting. Last year's massive aid package by the French government has not been enough to pull the state-owned bank out of the hole the previous expansionist management put it in.

The main problem is that last time round, in exchange for persuading the government to take dodgy assets off its balance sheet, Crédit Lyonnais had to make a huge loan to a government-backed vehicle at sub-market rates. The upshot is that the bank will lose about FFr3.1bn on that loan this year. And since Crédit Lyonnais's remaining business is not expected to make money this year, the group will make another whopping loss. If nothing is done, its capital adequacy ratio could early next year fall below the 4 per cent minimum set under international regulations.

So what is to be done? An easy solution would be to bump up the interest rate on Crédit Lyonnais's loan. But one hopes the European Commission will not agree to that without asking tough questions. Why, for example, has the bank not taken *firmer* action to boost the profitability of its core business? Why has it not made more progress in selling peripheral assets? And why does it not slim down its loan book further – a move that would boost the capital adequacy ratio? Some hand-out will probably be necessary. But the less pain Crédit Lyonnais bears, the more its competitors will suffer.

BTR

Mr Ian Strachan has developed a compelling formula for reviving the troubled conglomerate BTR. Its extravagant dividend pay-out could have been maintained, but at the cost of its ability to build businesses. So the new chief executive has cut it by one third. This suggests a degree of management conflict – the dividend was raised by 10 per cent in March – but at least Mr Strachan now appears to have full board support.

He has also tackled the group's lack of disclosure. This was tolerated when BTR delivered impressive profits growth, but it had become more worrying against a backdrop of flat earnings. Meanwhile, low return-on-capital businesses are being cast off.

BTR's longer-term prospects should be brighter as a result. The residual businesses achieve a high return on capital and contain several global leaders. Disposals and dividend cuts will allow the management to give them more cash, building their presence in faster growing emerging markets.

The problem for investors is gauging the price BTR could suffer during the transition. The retained businesses achieved a 20 per cent margin last year, but this looks unsustainable – particularly given the management shift from cost control to growing revenue. Benefits from the £349m restructuring will help drive short-term earnings, suggesting some upside for the shares. But investors will want to see evidence of returns from BTR's new growth policy before the shares regain a premium rating.

United News & Media

This year's merger between Britain's MAI and United News & Media is working much as planned. There was precious little industrial logic in creating a conglomerate spanning moneybroking, exhibitions, newspapers and television stations. But the deal has given MAI's well-regarded management a crack at United's underperforming assets. Lord Hollick, MAI's former chief executive who is now running the group, has merged head offices and reorganised Express Newspapers. And £221m has been raised through selling peripheral businesses.

But those hoping United will rapidly transform itself from a slightly drab collection of businesses into a fast-growing media group are likely to be disappointed. Lord Hollick might wish to sell both moneybroking and the Express, but nobody seems willing to pay a good price for them. Equally, he might want to buy more TV and exhibition assets, but the cost of acquiring the likes of Blenheim and HTV – both of which United has sniffed around – are high.

Given a debt-free balance sheet acquisitions are still on the agenda. But United is emphasising organic growth: its share of Channel 5's start-up costs, a theme park venture with Time Warner and extra investment in other businesses could add up to a £400m-£500m investment over two years. The approach is clearly preferable to overpaying for acquisitions. But it does mean United's ambition of becoming a focused media group will take a time to realise.

Additional Lex comment on British Gas, Page 20

BAe bid

Continued from Page 1

with an Anglo-German or a larger European solution underlined the practical resistance to a consolidation of the European defence industry – a process advocated by politicians and industry executives. "It's very disconcerting when one hears comments like 'it's for German eyes only' from the defence ministry," said one BAe executive.

Austerity plan setback

Continued from Page 1

industry which absorbs DM9bn ($5.9bn) of the economics ministry's DM17bn budget.

In its latest monthly report, the Bundesbank warned that the government deficit, including those of the social security funds, could rise to 4 per cent of gross domestic product this year from 3.5 per cent in 1995 and so be well above the Maastricht treaty's 3 per cent limit required for Emu.

The Bundesbank said it was "urgently necessary" that the DM70bn of savings planned for next year by the federal and state governments, local authorities and social security funds, be implemented. If that were possible and provided the economy continued to grow, the deficit could fall to 3 per cent of GDP or below. However, the Bundesbank said this was an "ambitious target".

FT WEATHER GUIDE

Europe today

Most of the Benelux will be rather cloudy with outbreaks of rain. Germany will have rain and thunder showers. The British Isles will have cloudy periods. The North Sea will have a strong northerly breeze. Poland and southern Scandinavia will have showers. France will have some sun, especially along the Mediterranean. Spain will also be fair. Italy will have some thunder showers. The northern Alps will probably have some rain with a strong breeze from the north-east. Thunder showers are possible in Greece.

Five-day forecast

Rain and showers will move into eastern Europe as a low pressure system over Denmark moves east. By Monday, a new front will reach Europe bringing rain to Ireland and Spain. France will remain dry until Tuesday. Italy will see some showers at first, but the weekend will be dry.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
Abu Dhabi	sun 39	Beijing	cloudy 25	Caracas	fair 32	Faro	fair 24	Madrid	sun 23	Rangoon	fair 33
Accra	fair 27	Belfast	fair 16	Cardiff	sun 18	Frankfurt	thund 12	Majorca	sun 24	Reykjavik	shower 12
Algiers	shower 26	Belgrade	shower 15	Casablanca	sun 24	Geneva	shower 15	Malta	sun 28	Rio	fair 26
Amsterdam	shower 14	Berlin	shower 11	Chicago	shower 17	Gibraltar	fair 24	Manchester	sun 16	Rome	thund 25
Athens	thund 30	Bermuda	fair 29	Cologne	shower 13	Glasgow	sun 17	Manila	shower 32	S. Frsco	sun 21
Atlanta	sun 29	Bogota	fair 20	Dakar	fair 30	Hamburg	thund 14	Melbourne	rain 15	Seoul	fair 28
B. Aires	fair 22	Bombay	rain 31	Dallas	fair 32	Helsinki	shower 13	Mexico City	fair 25	Singapore	fair 31
B.ham	sun 17	Brussels	shower 15	Delhi	fair 32	Hong Kong	fair 32	Miami	fair 32	Stockholm	shower 14
Bangkok	shower 35	Budapest	thund 14	Dubai	sun 37	Honolulu	fair 32	Milan	sun 20	Strasbourg	shower 12
Barcelona	sun 23	C.hagen	shower 14	Dublin	fair 17	Istanbul	fair 30	Montreal	cloudy 18	Sydney	fair 23
		Cairo	sun 32	Dubrovnik	shower 23	Jakarta	shower 31	Moscow	shower 13	Tangier	sun 23
		Cape Town	shower 13	Edinburgh	fair 17	Jersey	sun 18	Munich	thund 11	Tel Aviv	sun 32
						Karachi	fair 33	Nairobi	sun 26	Tokyo	cloudy 26
						Kuwait	sun 44	Naples	thund 23	Toronto	shower 18
						L. Angeles	fair 23	Nassau	fair 32	Vancouver	shower 19
						Las Palmas	sun 26	New York	rain 26	Venice	shower 19
						Lima	cloudy 20	Nice	sun 22	Vienna	shower 15
						Lisbon	sun 24	Nicosia	sun 32	Warsaw	shower 13
						London	fair 19	Oslo	rain 12	Washington	shower 29
						Lux.bourg	shower 14	Paris	fair 17	Wellington	rain 14
						Lyon	shower 16	Perth	fair 18	Winnipeg	cloudy 18
						Madeira	sun 24	Prague	shower 11	Zurich	rain 10